



April 5, 2021

Missouri Public Service Commission  
200 Madison Street  
Jefferson City, MO 65102-0360

AO-2021-0264  
Cold Weather Event February 2021

To whom it my concern:

Oklahoma Energy Source "OKES" is a natural gas supply and management company "marketer" located in Tulsa, with over 500 customers in Oklahoma, Missouri, Kansas, Texas, and Colorado. We are extremely interested in providing feedback to the natural gas workshop given the implications that your findings and rulings will have within this region. Our limited customer base in Missouri is on Spire West "MGE" where **we were one of the marketers that delivered gas to our customers during the cold weather event**, so our issues are concerned about the future rules and events.

I have been in the energy marketing business since 1988 and I purchased OKES in 2012 which has been in business since 2005. I have provided a few bullet items about myself and OKES which should allow you to see that I am a subject matter expert in the natural gas markets and upstream issues.

- In the 1990's I was part of a team that built a second pipeline into St. Louis, Missouri via Panhandle Eastern Pipeline called Missouri Pipeline that delivered gas to End-Users behind Laclede Gas.
- I have worked for four major utilities throughout North America and ConAgra Trade Group that had natural gas trading functions with delivery of gas to end-users and wholesale power markets.
- My experience with each of those companies allowed me to venture out on my own in 2012 and purchase Oklahoma Energy Source which at the time had 300 customers and now has 500 customers.

Why is my past 33 years of experience important to the workshop? I bring to the table ideas and solutions from my past work at major utilities and how they have provided services during a crisis. I think the workshop is a great idea, but it really needs to include all the participants to vet some of the issues. I would suggest that you have a roundtable discussion among all the participants in the markets in the next few weeks to address the concerns that need to be addressed. The attached thoughts highlight some general ideas that really need to be discussed among the market participants since only the utility companies got a chance to provide their point of view.

Sincerely,



Greg Hathaway  
Managing Member  
(918) 307-8142

## AO-202100264

I wanted to make sure all the readers of my comments below know that my goal is to provide clarity to someone of Spire's actions during this Cold Weather event. I believe that someone at the Commission has hold them accountable for two specific actions. The first action is around them sending demand letters to marketers for payments in less than 48 hours which is not addressed in the tariff. Action two is a bit more concerning to me given that Spire presented to everyone that the marketers who did not perform were going to pay for the gas and then when asked about this during the question and answer confirmed it again. I have attached (Exhibit 1) the demand letter and aggregation agreement that are both Spire generated documents. As you will see both documents say that the costs are ultimately the responsibility of the customer.

# **EXHIBIT 1**



Spire Missouri Inc.  
700 Market Street  
St. Louis, Missouri 63101

VIA EMAIL

February 24, 2021

Oklahoma Energy Source  
Beki Fash Larsen (Beki@OkEnergySource.com)  
7136 South Yale Ave, Suite 210  
Tulsa, OK 74137

**Re: OFO Penalties**

Dear Beki,

As you know, you serve as the natural gas marketer and appointed agent of various transportation customers on Spire's Missouri West distribution system.

Due to extreme weather and unprecedented demand for natural gas, this month we placed an operational flow order ("OFO") in effect on that system from Gas Day 12 through Gas Day 18.

During the OFO, many transportation customers consumed more natural gas than their marketer had nominated and confirmed for delivery for that day. Spire is required to assess OFO penalties in these situations. See Spire Missouri West Tariff Sheets 16.13-16.14. Pursuant to Spire's tariff rules, the standard OFO penalty is 2.5 times the daily midpoint stated on Gas Daily's Index for Southern Star Central Gas Pipeline (Oklahoma), multiplied by the MMBtu amount of the under-delivery that exceeds the Tolerance Levels.

Through February 18, 2021, Spire is assessing an OFO penalty to you in the amount of \$823.99.

The amounts of your customers' pooled nominations, actual usage, and the applicable Gas Daily Index price for each day are included for your reference in the enclosed spreadsheet.

Pursuant to Spire's tariff rules, these penalties shall be billed to and collected from the agent representing the aggregated customers. Please consider this letter demand for payment of this amount, due immediately.

Please contact us right away to arrange payment. If we are unable to reach payment terms by Friday, February 26, Spire will need to bill these OFO penalties directly to each of your transportation customers, who retain ultimate financial responsibility for these amounts under the tariff.

Sincerely,

A handwritten signature in black ink, appearing to read "MA Aplington".

Matt Aplington  
General Counsel

Enclosure

## AGGREGATION AGENT AFFIDAVIT - LVS

BY THIS AFFIDAVIT, made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, located at \_\_\_\_\_, hereinafter referred to as "Customer", states that the following broker/marketer, hereinafter referred to as "Agent", is authorized to perform the general function(s) marked below:

Agent Name: \_\_\_\_\_  
Billing Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

The following descriptions are general in nature and do not encompass every detail of the delegated function(s).

- Nominating: Submission, revision and confirmation of transportation gas nomination.
- Accounting: Receive and pay invoices relating to all activity pursuant to the Agent Aggregation Service Agreement with Company to receive, monitor and correct transportation gas imbalances.

Customer understands Agent will be accepted by Company as having full authority to act for Customer on all matters pertaining to the functions(s) marked above. Agent's authority shall include and extend to all acts necessary to perform the designated function(s) under the Agent's Agreement with Company, the Company's applicable gas rate schedule LV and the Company's "General Terms and Conditions for Gas Service," all as now on file with the regulatory authority having jurisdiction herein, and as amended, reissued and made effective from time to time as provided by law.

Customer acknowledges that the agency appointment shall be subject to Customer's agreement to the following conditions:

1. With an effective date of \_\_\_\_\_ 1, 20\_\_\_\_, [effective date must be on the first day of a month and Company must receive Aggregation Agent Affidavit no later than four (4) business days prior to the end of the preceding month] Agent shall

have full authority to act for Customer to perform the general function(s) and Company's recognition of Agent's authority will continue until termination of this Affidavit.

(X)

2. Customer, as the signatory party to this Affidavit, shall continue to be responsible for any and all costs, fees, gas imbalances, or other liabilities as provided under the Tariff or the Agent's Agreement, regardless of whether caused by Customer or the acts or omission of Agent. Customer understands that neither its appointment of Agent nor this Affidavit relieves Customer of any costs, fees, duties, obligations, or responsibilities.

3. This Affidavit may be terminated for any reason by providing written notice no later than four (4) business days prior to the end of each month and not under an Operational Flow Order (OFO) or Period of Curtailment (POC) to be effective for the first day of the following month. Customer acknowledges that Company reserves the additional right to terminate this Affidavit upon immediate notice if any performance hereunder by Company or Agent becomes inconsistent with or violates the terms of the Agent's Agreement, or the Tariff, or any applicable federal or state laws, regulations, or regulatory orders or decisions.

4. Customer acknowledges that only one agent may be appointed by Customer during any given time. Upon termination of this Affidavit, Customer will immediately assume the responsibilities previously delegated to Agent, or will immediately appoint a new Agent and execute a new Affidavit to be effective coincident with the termination of this Affidavit. The new Affidavit shall be submitted to Company no later than four (4) business days before the end of the month prior to its effectiveness on the first day of the following month provided not under an Operational Flow Order (OFO) or Period of Curtailment (POC).

Customer acknowledges that this is binding upon Customer and its successors.

**IN WITNESS WHEREOF**, the Customer has executed this Affidavit the day and year first above written.

\_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Thoughts around the Cold Weather Event around Spire's Slides

The Spire presentation provides insight to the major issues that we all faced during this event. We really need to take a deep dive into some of the issues raised during this workshop to make sure we are all working for the customers of Missouri. The below thoughts follow the Spire presentation and Oklahoma Energy Source "OKES" thoughts and question about each slide. OKES goal on the questions is to draw attention to the many difficult topics that still need to be covered to make sure that this event is avoided in the future.

### **Topic by Slide "Weather Event"**

Spire points out that the Peak Day was Feb 15 and saw HDD 33% colder in KC, MO and this was the start of the event.

OKES Thoughts- It is important to know the start and the duration of the peak given that Spire has various ways to move gas around to customers between the two different service areas (West and East).

OKES Question- Since natural gas can be rerouted to meet peak day obligations what gas was moved from one service area to another service area?

### **Topic by Slide "Operational flow orders and force majeure events"**

OKES Thoughts- Spire brings up an especially important point around producers and marketers were calling Force Majeure in the production area.

OKES Question- Did Spire face any Force Majeure of gas that was purchased for system supply in the production or city-gate areas? If so, how did you replace the gas supply and at what price? What actions are you taking if someone did not perform on the gas supply that was sold to Spire?

## **Topic by Slide “Operations Spire Missouri”**

OKES Thoughts- Spire points out that these price spike events are now happening every 5 to 7 years.

OKES Statement – We agree that price spikes will come back, but not to the price magnitude that we just saw in this event.

## **Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states that it did not have to curtail any customers since there was gas supply available.

OKES Question – Should Spire have curtailed non- essential customers just like Kansas, Oklahoma and Minnesota did to limit the exposure to the cost of natural gas?

## **Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states that this could have been an extreme event given the Volatility Mitigation CSR 4240-40.015

OKES Question – Does Spire believe that this was not an extreme event?

## **Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states that they have 60 to 70% of baseload gas

OKES Question – Did any of this baseload gas get cut? If so how did it get replaced?

## **Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states that they have storage gas to cover peak days.

OKES Question – How much gas was used during the peak day period? Was there any gas ever left in storage during any of these days that could have flowed out?



**Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states that they have a portion of their gas supply at a daily price since it is prudent.

OKES Question – How much gas was purchased each day at a daily price?

**Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states it has about 10% of End-users on the system.

OKES Question – Is that 10% of a peak day or an average winter day? Do these end-users have a firm contract or an interruptible contract on the distribution system?

**Topic by Slide “Peak day planning, risk management tools... “:**

OKES Thoughts- Spire states End- users have marketers transporting gas to them and have their own gas come to them at the city-gate and do not plan for that on the peak day resources.

OKES Question – So if Spire does not count them in for their peak day plan then why did they not curtail them? Was there enough capacity to the burner-tip from the city-gate or did the utility run out of room to service the customer. Did Spire contact the actual end-use customer to inform them that their supplier was not showing up for the gas and that they would be billed?

## **Topic by Slide “Did the gas utility issue operational flow orders”**

OKES Thoughts- Spire states they did not issue OFO on Eastside, but only on Westside and some of the marketers did not show up with gas so Spire had to go out in the marketplace and buy gas.

OKES Question – Spire just said that they have a portion of portfolio that had to buy daily price gas to cover a portion of the customers that were not transporting gas. If Spire was buying gas for the customers that were not transporting and then buying gas for the marketers who did not show up with gas. How did they separate the two purchases?

## **Topic by Slide “Did the gas utility issue operational flow orders”**

OKES Thoughts- Spire states that they had to buy gas to cover the marketers who did not buy gas for their customers. They also state that the tariff allows for them to charge 2.5 the daily price, but they also state that the marketer is responsible vs the end user.

OKES Question – We have attached in Exhibit 1 the actual language in the Aggregation Agreement that provides just the opposite statement in section 2. It states that the customer is responsible if the marketer does not pay the bill. It also was made clear in the demand letter sent to each marketer that the customer would pay. The question is which is correct?

## **Topic by Slide “Did the gas utility issue operational flow orders”**

OKES Thoughts- Spire restates the cost of buying gas are not going to the customers. It seems like Spire is trying to assure the commission that everything falls back to the marketer.

OKES Question – If Spire does not collect those penalties then per the tariff and aggregation agreement (Exhibit 1) it seems like the utility pays vs the marketers. Why is that statement not correct since it is stated in the agreements?

## **Topic by Slide “Did the gas utility issue operational flow orders”**

OKES Thoughts- Spire states that they do not know how the marketer’s contracts are set up with the customers. As Spire stated earlier there were Force Majeure issues in the production area.

OKES Question – All contracts contain Force Majeure, and it is certain that the marketers called Force Majeure on the customer. So if the marketer called a force majeure on the end-user then why did Spire supply the gas to the end-user? Is there a way in the Spire nomination system to curtail Interruptible customers? If Spire did not curtail the customers, the system is at risk so why not curtail customers? Did Spire buy the gas at all or did they use storage gas? What was the daily imbalance at each Spire gate on Panhandle and Southern Star?

## **Topic by Slide “Interstate Pipeline and Spire service....”**

OKES Thoughts- Spire states that they did not know if there were penalties coming their way from the pipelines. Also Spire states in the demand letter that Spire would bill OFO penalties.

OKES Question – At this time does Spire know if there were penalties? If so if there no penalties, then why are they going to charge a penalty in the demand letter?

## **Topic by Slide “How can we help mitigate this in the future**

OKES Thoughts- Spire mentions it needs to be smarter about suppliers.

OKES Question – How many suppliers did Spire use during the February cold spell and how many of them did not show up with their baseload gas?

## **Topic by Slide “How can we help mitigate this in the future**

OKES Thoughts- Spire mentions it filed a complaint with Platts over reporting of prices.

OKES Question – How many days was the complaint for? Is it possible that the fees that the marketers are paying could be overstated as well? Was Spire able to use its purchasing power to buy gas below the market price?

## **Topic by Slide “How can we help mitigate this in the future”**

OKES Thoughts- Spire is going to have greater restrictions on marketers transporting to end users, but it does not mention that they have ultimate control of the meter where the gas is going to the end user.

OKES Question – If Spire goes down the path of requiring credit or some form of collateral that will lead to less marketers and higher prices for those electing to transport gas. The best way to accomplish supply security is to create a process on the nominations side of Spire and the real ability to curtail customers if their gas supply does not show up. There are meters that can be shut off and this should be done for any customer over a certain quantity used of say 100 mmbtu’s per day.

### **Topic by Slide “How can we help mitigate this in the future”**

OKES Thoughts- Spire should look at curtailing non-essential customers vs buying crazy price gas in the future. Many customers curtailed themselves and sold the gas back into the marketplace.

OKES Question- Can Spire physically curtail certain customers? Many utilities have this ability through physical locking down a transportation meter for a fee.

### **Topic by Slide “How can we help mitigate this in the future”**

OKES Thoughts- Spire has no system to nominate gas supply to the customer. Spire could implement a solution that mandates that all marketers have a pool on each of their systems and during OFO's there will be more certainty.

OKES Question- What would the cost be to put in a system for the marketers to nominate to their customers?

### **Topic by Slide “How can we help mitigate this in the future”**

OKES Thoughts- Spire states that there must be some penalty for not delivering the gas supply on OFO days. We agree but it is unreasonable to assume that someone is going to pay 2.5 times the gas daily price when the prices are already so high. Let me provide an example of how this would impact a small company like mine. If we were 1,000 MMBtu short over 5 days and the market price was \$300.00 then this would be a cost of \$300,000, but when it is multiplied that times 2.5 it comes to \$750,000. This unreasonable price for natural gas and would drive anybody out of business. There should be a curtailment policy put in place.

OKES Question- Why does Spire want to penalize customers by 2.5 times the market price? Answer it goes back to the PGA cost. Follow up question does it just make sense to have a curtailment program in place for nonessential customers to avoid multimillion dollar lawsuits and avoid the customers in Missouri picking up the bill for the gas that was bought for marketers?