

# Spire Missouri AO-2021-0264 Cold Weather Event Workshop

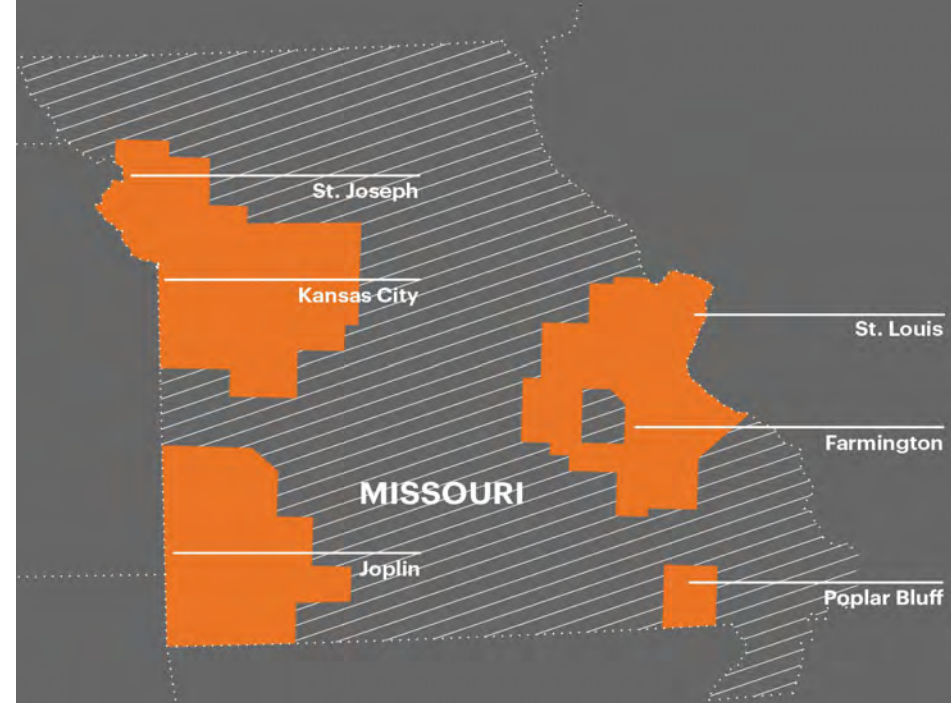
March 23, 2021



# Events in February

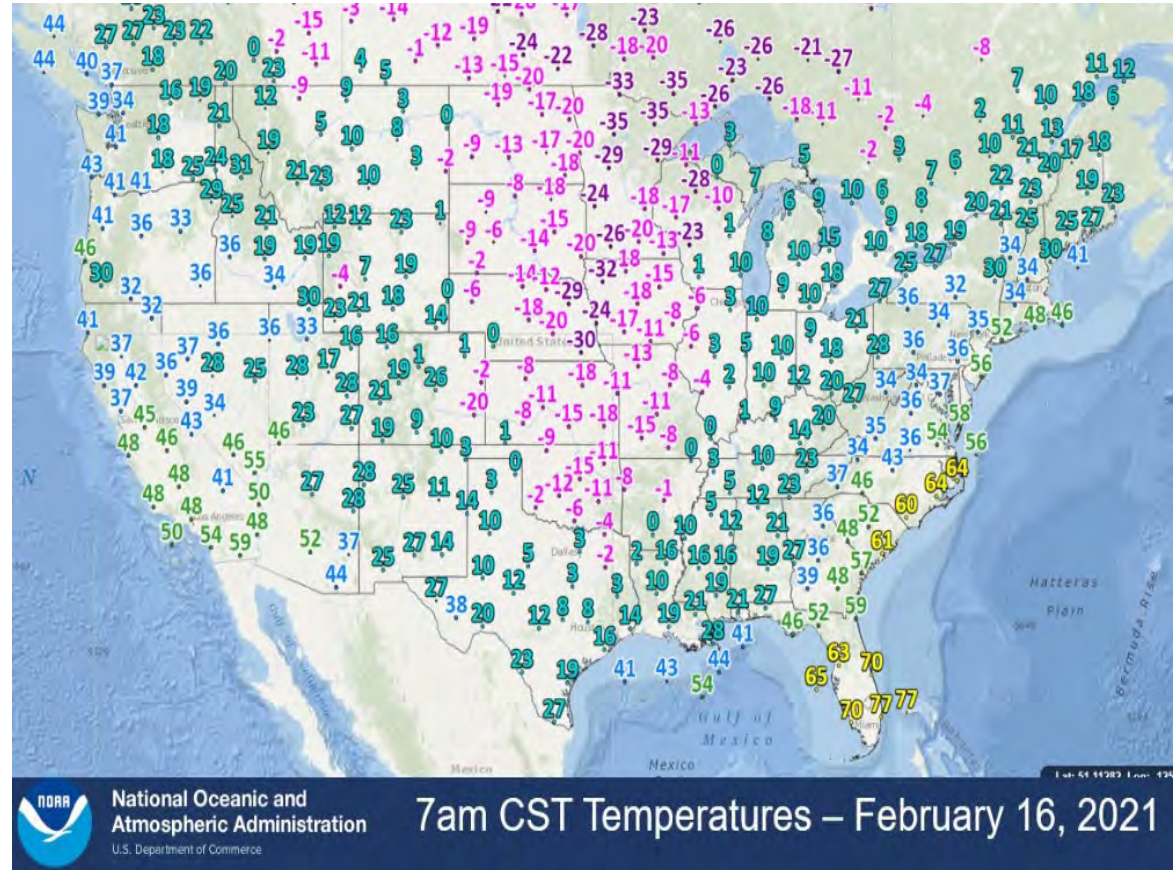
# Spire Missouri

- 1.2 million customers in the state
- Largest gas company in Missouri
- Focused on safe, affordable, and reliable service, community development and growth



# Weather event

- February 15, 2021 was the peak day for our system
- KC: High -1, low -10
- STL: High 4, low 0



# Operational flow orders and force majeure events

- The cold weather impacted Midcontinent and Permian natural gas production wells and they began to “freeze off”
- Producers and marketers were issuing force majeure notices
- Interstate pipelines were experiencing operational constraints due to the lack of supply availability

TSP Name: Southern Star Central Gas Pipeline, Inc.  
TSP: 007906233  
Notice ID: 9703  
Critical: Y  
Notice Type: Operational Flow Order  
Notice Stat Desc: Supersede  
Prior Notice: 9686  
Notice Eff Date / Time: 2/15/2021 11:20 AM  
Notice End Date / Time: 12/31/9999 11:59 PM  
Reqrd Rsp Desc: No response required.  
Post Date / Time: 2/15/2021 11:20 AM  
Subject: Delivery Location Operational Flow Order (OFO)

## Enable Gas Transmission – Human Needs Requirements Advisory

Given the unprecedented level of natural gas production freeze-offs and other supply disruptions, Enable Gas Transmission (EGT) is issuing this advisory to inform shippers of the steps EGT will take to protect the Human Needs requirements of the system.

This Standard Operational Flow Order (OFO) is being issued pursuant to Section 9, GT&C, of MRT’s Tariff to advise shippers system wide that, effective February 12 and continuing until further notice, shippers will be required to maintain physical receipts at or above scheduled volumes and at or above physical deliveries. MRT anticipates it will be unable to support short imbalance positions and will be unable to

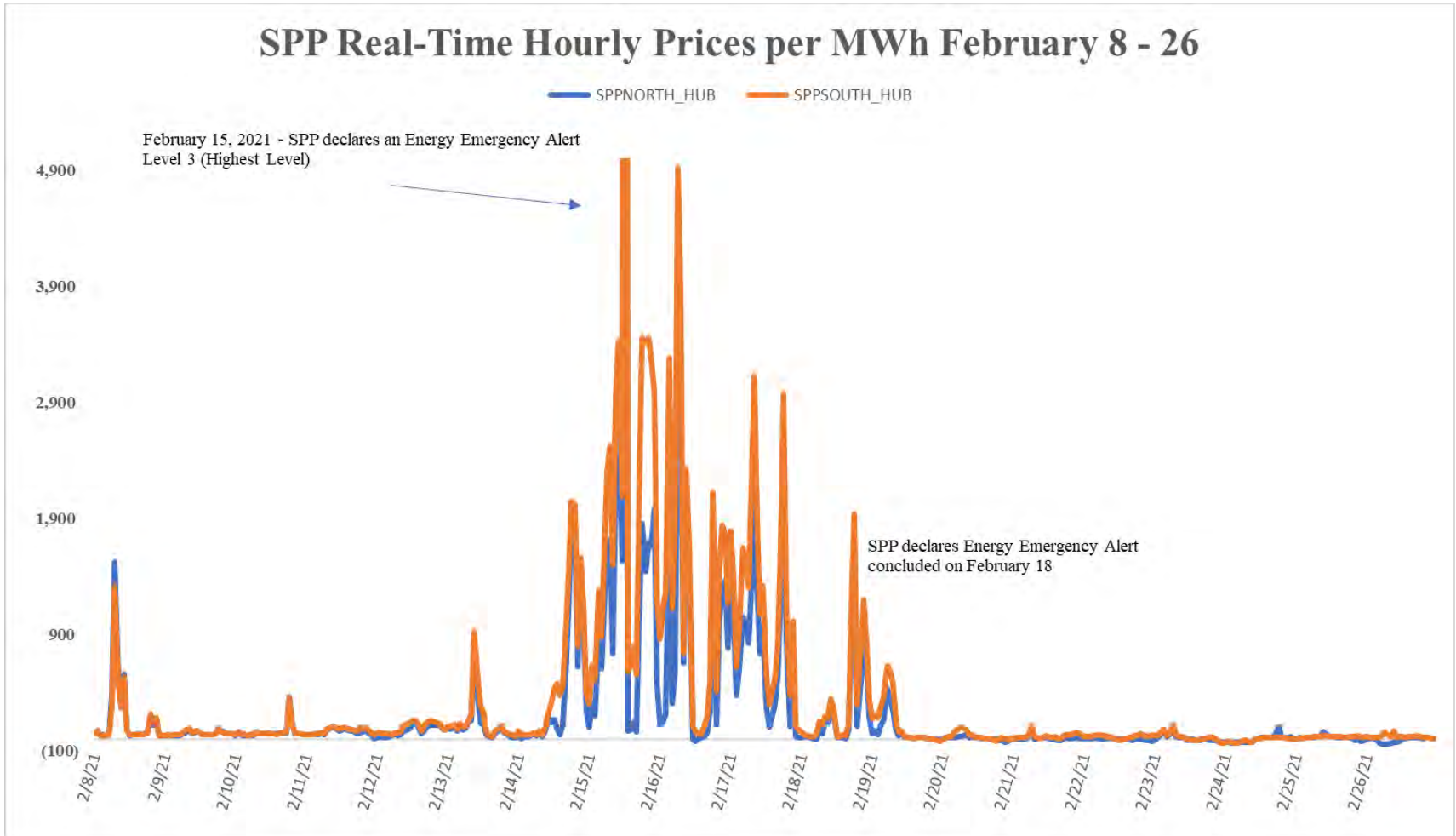


# Not just a natural gas issue

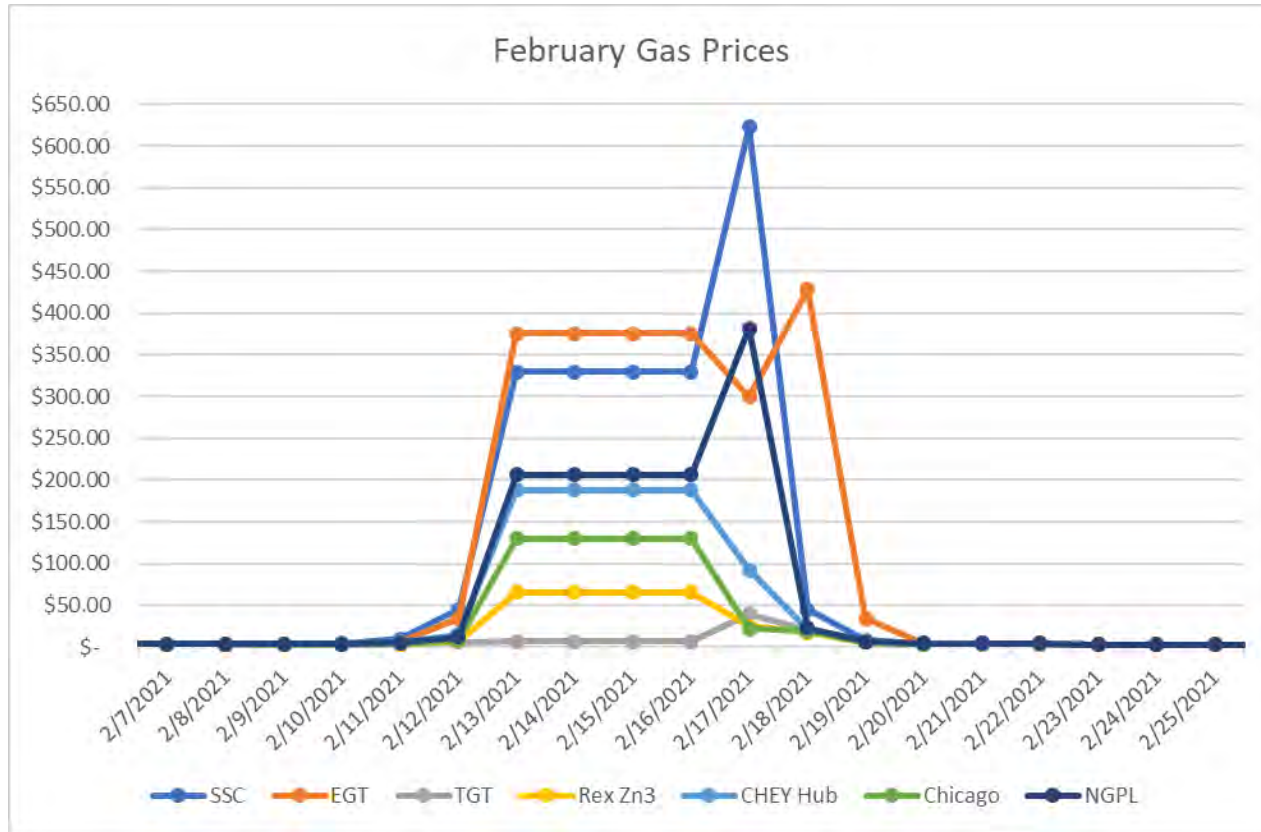
- Kansas City, MO – February 14, 2021 – At the request of the Southwest Power Pool (SPP), ...asking customers to conserve electricity use as much as possible through Wednesday, Feb. 17. The SPP, which coordinates the 17-state regional power supply, **advises that the region's coldest weather in decades is creating high demand for electricity. At the same time, the extreme weather is driving high demand for natural gas used to heat homes and businesses, straining the gas supply available to generate electricity, and icy conditions have made availability of wind generation uncertain.** The SPP has advised that the unprecedented low temperatures across a widespread region creates the potential for electricity shortages and has asked all utilities in the region to encourage customers to reduce electricity usage in order to maintain electricity supply overall and avoid potential power outages.
- Kansas City, MO – February 15, 2021 – Due to extended extreme temperatures affecting the regional power supply, the Southwest Power Pool (SPP) has asked member electric utilities, to **implement controlled, temporary emergency electricity reductions in order to help avoid larger uncontrolled and extended power outages throughout the region.** Power will cycle off and on periodically until the reduction is no longer required by the SPP. With these extreme cold temperatures, equipment may not operate as intended. As a result, outages could last longer than 30 - 60 minutes.



# Hourly Southwest Power Pool (SPP) price \$19,246



# February daily natural gas prices





## This was not just a Missouri issue

BUSINESS

### February cold snap could cost CenterPoint customers additional \$354, plus interest

CenterPoint wants to add the cost to residential charges over a 2-year period starting in May.

By Mike Hughlett Star Tribune | MARCH 17, 2021 — 5:07AM

#### Atmos Energy

Due to the historic nature of this winter storm, the Company experienced unforeseeable and unprecedented market pricing for gas costs, most notably in our Colorado, Kansas, and Texas jurisdictions, which resulted in aggregated natural gas purchases during this period of approximately \$2.5 to \$3.5 billion for these jurisdictions. These purchases are generally payable at the end of March 2021.

#### Item 1.01      Entry Into a Material Definitive Agreement

On February 22, 2021, ONE Gas, Inc., an Oklahoma corporation (“ONE Gas” or “we”), entered into a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and the lenders party thereto.

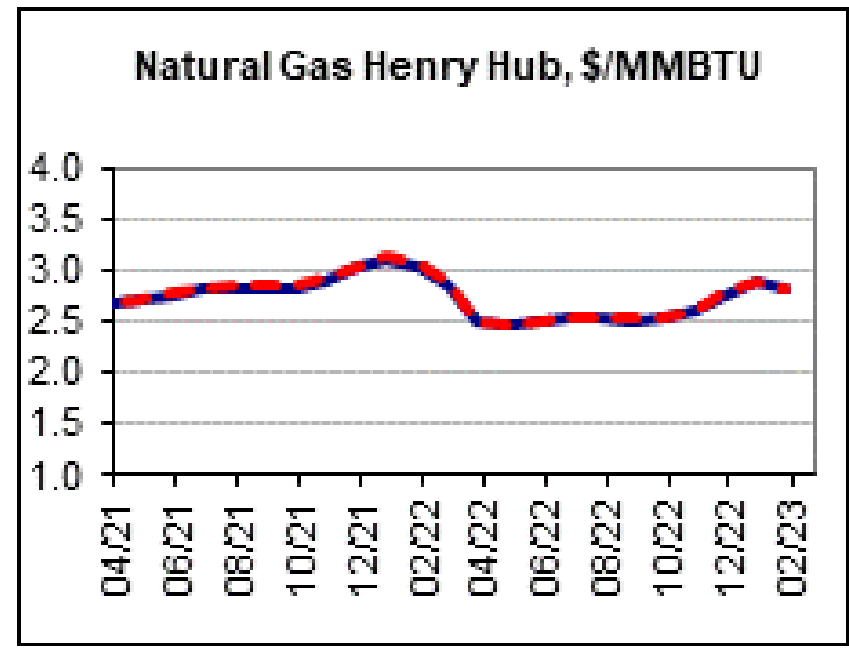
The Credit Agreement provides for a \$2.5 billion unsecured term loan facility. Proceeds of the loans under the Credit Agreement will be available for natural gas purchases as a result of the 2021 winter weather events and the repayment of indebtedness. The Credit Agreement matures two years after the loans are funded under the Credit Agreement. The loans under the Credit Agreement will bear interest at a “Eurodollar Rate” or a “Base Rate” as specified in the Credit Agreement, plus a margin specified in the Credit Agreement which adjusts based on our debt ratings and the outstanding amount of loans remaining under the Credit Agreement. Outstanding loans or commitments under the Credit Agreement are required to be prepaid or reduced, as applicable, with the net cash proceeds received by ONE Gas or any of its subsidiaries from certain debt and equity issuances.



# Current and future natural gas prices

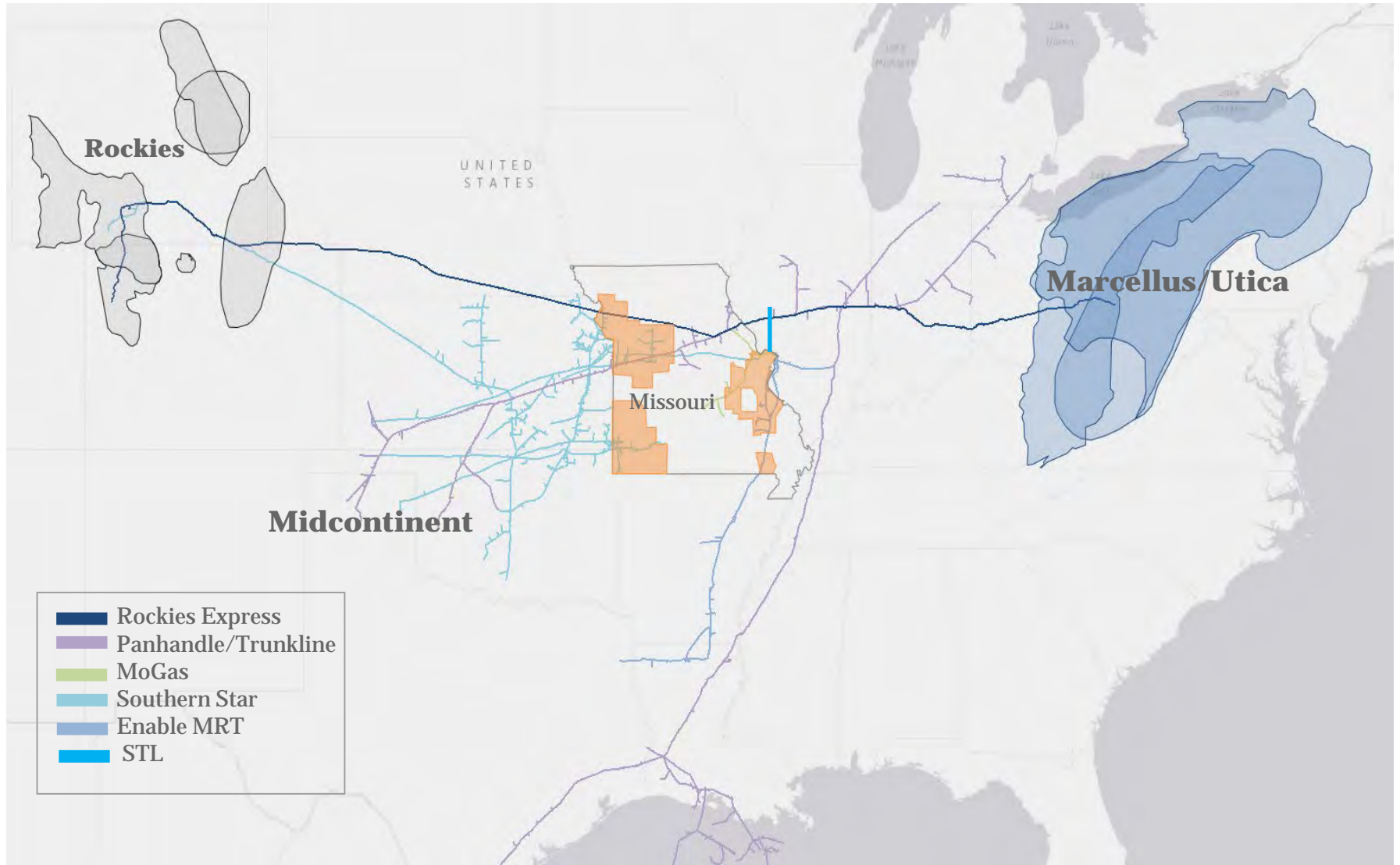
- Natural gas prices quickly returned back to normal levels once the polar vortex ended and natural gas is still an affordable, abundant, and reliable source of energy.

MONTH	OPTIONS	CHARTS	LAST	CHANGE	PRIOR SETTLE
APR 2021			2.537	+0.056	2.481
MAY 2021			2.567	+0.056	2.511
JUN 2021			2.624	+0.054	2.570
JUL 2021			2.683	+0.050	2.633
AUG 2021			2.697	+0.049	2.648
SEP 2021			2.687	+0.050	2.637
OCT 2021			2.703	+0.050	2.653



# Operations

# Spire Missouri



# Peak day planning, risk management tools, firm capacity, supply diversity

- Spire appreciates the long-standing policy at the MPSC for supporting price mitigation
- Spire uses different price structures, firm transportation agreements, storage, different supply basins, diverse groups of marketers and producers, and hedging to mitigate impacts to our customers

## 20 CSR 4240-40.018 Natural Gas Price

### Volatility Mitigation

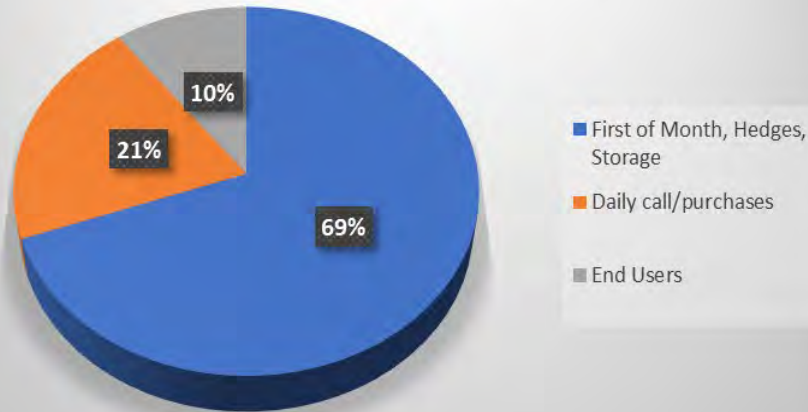
- Purpose: This rule represents a statement of commission policy that natural gas local distribution companies should undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate upward natural gas price volatility and secure adequate natural gas supplies for their customers



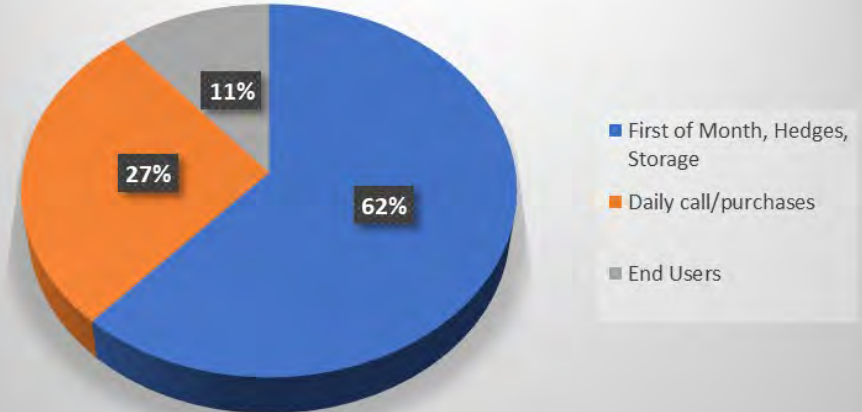
# Continued- Peak day planning, risk management tools, firm capacity, supply diversity

- Resource plans are filed with the MPSC to show how a utility will meet its peak day design. Firm transportation, storage, etc

Spire East Peak Day 2-15



Spire West Peak Day 2-15



## Did the gas utility issue operational flow orders (OFOs) that lead to penalties to customers? If so, what solutions may need to be considered if tariff language restrictions create extreme hardships for customers? Did the gas utility curtail customers and what impact did that have on the utility system? How did the utility work with its customers during the weather event?

- In accordance with Spire Missouri’s tariff, an OFO was issued on the west side of the state during this weather event. There were two main factors in the Company’s decision:
  - (1) Concerns of pressure profiles on interstate pipelines affecting Spire Mo distribution system.
  - (2) Marketers were reducing supply to end user transportation customers (commercial & industrial, and schools), and in some cases not providing any supply
- Extreme hardship on “customers”
  - The OFO penalties are assessed to marketers and not our firm customers. Some marketers didn’t perform, not our customers.
- Approximately \$195,000,000 in OFO penalties were assessed to a handful of marketers pursuant to our tariff
- These penalties (which include the cost of covering non-performance) directly offset the gas costs in the PGA for our regulated customers
- Penalties exist and are appropriate because Marketer nonperformance jeopardizes our system and customers
  - Spire was required to cover the non-performance of marketers at spot market prices
- Spire went out to the market to buy gas to cover the failure of marketers
- In some cases, the marketers have no firm transportation to their customers even though they are probably selling firm service to end user customers



Continued-Did the gas utility issue operational flow orders (OFOs) that lead to penalties to customers? If so, what solutions may need to be considered if tariff language restrictions create extreme hardships for customers? Did the gas utility curtail customers and what impact did that have on the utility system? How did the utility work with its customers during the weather event?

- A curtailment period was issued but we fortunately did not have to turn any customers off
  - **The curtailment period was essential to maintaining the system and keeping our priority customers online**
- Spire was in constant communication with its customers and the media about developing weather and system events. Please see the following 3 slides for examples





# Media push

- Three news releases sent over the course of the week about cold weather:
  - One statewide on 2/15 encouraging customers conserve energy
  - Two to Southwest Missouri, one announcing our curtailment plan the night of 2/16, another 2/18 that it was lifted
- Interviews and other media outreach



Media Contact:  
Jason Merrill  
314-365-7125  
[Jason.Merrill@spireenergy.com](mailto:Jason.Merrill@spireenergy.com)

For Immediate Release

## **Spire asks customers to conserve energy due to polar vortex, unprecedented natural gas demand across Midwest**

*By following simple steps, customers can reduce energy, save money during colder temperatures*

ST. LOUIS (Feb. 14, 2021) — Due to frigid weather conditions across the Midwest, Spire is urging customers across Missouri to conserve energy.

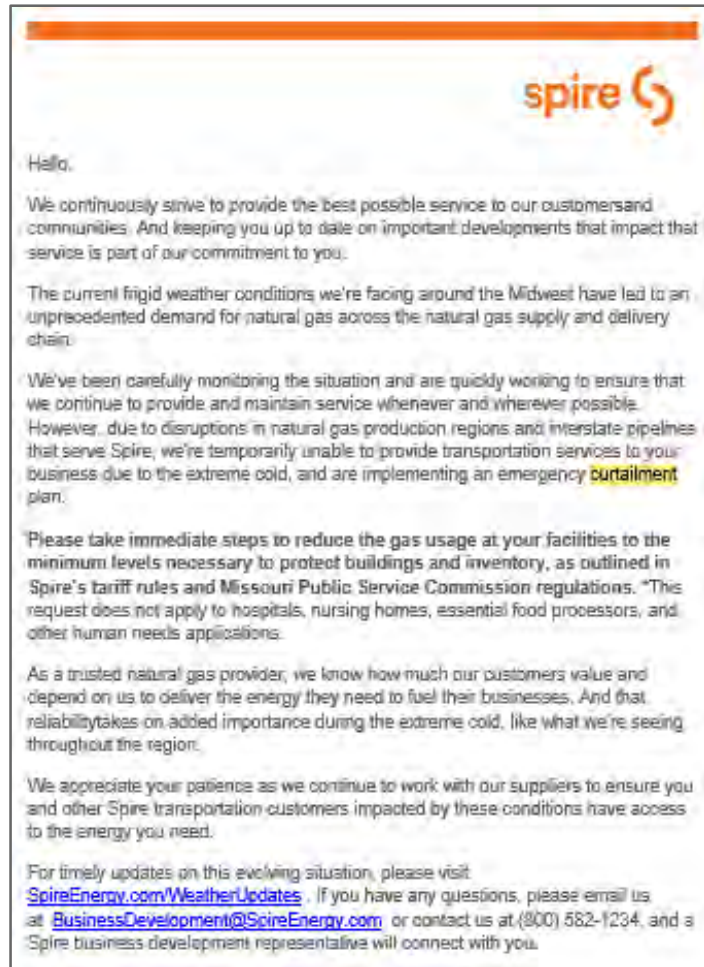
The current weather has impacted supply to many utilities across the central United States, with natural gas wells freezing in some parts of the country and increased demand on the natural gas transportation system. Like many other utilities and communities, Spire is asking customers to conserve where possible.

“Our teams are working hard to make sure our customers are safe and warm during these weather conditions,” said Scott Carter, Spire Missouri president. “We are carefully monitoring the situation and while our systems remain strong, we want to work together as a community by taking some temporary steps to make sure they stay that way.”

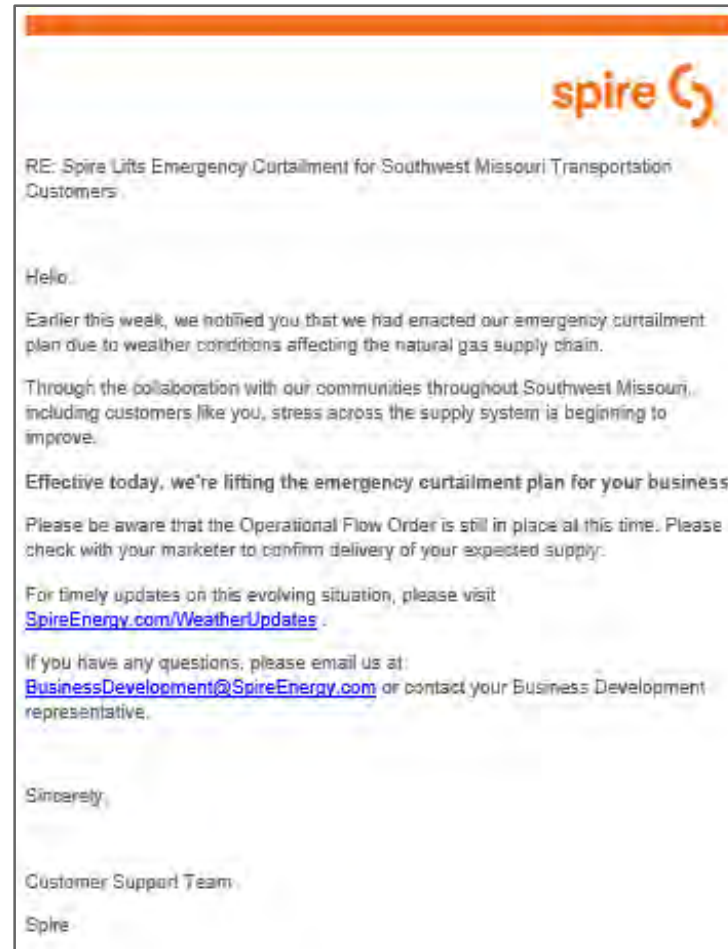


# Targeted emails – Transportation customers

## Goal: Notification of Emergency Curtailment Plan



Sent: 2/15



Sent: 2/18



# Customer communications

Emails, texts and automated calls for the following notices:

- Prompts for all **transportation** customers to contact their marketers (Missouri West - SWMO)
- Curtailment notifications to all transportation customers (Missouri West)
- Conserve notifications to **all small commercial and industrial** customers (Missouri West - SWMO)
- Conserve + cold weather tips (cold weather, higher usage means higher bills) notifications to all **residential** customers (all regions)

Number of social media posts:

- Facebook: 10
- Twitter: 3
- LinkedIn: 5
- Instagram: 2



# Interstate pipelines and Spire service to its customers

## Do you anticipate being billed penalties from any gas pipeline?

We don't have all the information at this time to answer the question. Spire was a responsible shipper on our interstate pipelines and believes if there are any penalties, it would be immaterial.

- There are several FERC dockets going on right now about pipeline penalties that we are monitoring or a party to the case

## Gas Service to our customers:

- We were able to provide gas service to nearly all of our 1.2 million customers. This reliability rate was significantly better than other similarly situated utilities
- There was a small mechanical issue on the east side of the state where 60-70 customers lost service and were quickly turned back on
- To protect a specific segment of our system on the east side we did ask one interruptible customer not to run during the week of the polar vortex. That customer was already not in operation during that time



# Regulatory approach

What are possible solutions to rules and tariff language that may impede financial relief for the utility and its customers? This could include discussion of the potential extreme prices on PGA/ACA

- **Instead of having all of the gas costs associated with the extreme weather event run through the PGA/ACA in one year, Spire suggests spreading the financial impact over multiple years**
- **Add a provision for the Filing Adjustment Factor (FAF) for up to 3 years to allow for (\$.10-\$0.25) credit**
- Will allow utilities to manage the variables with the ACA component as well as unknown gas prices at time of filing.
- It is already an approved mechanism in the PGA tariff
- All costs in the PGA and ACA will continue to be treated the same way as the current process
- *PGA Filing Adjustment Factor (FAF) - In addition, in any PGA Filing, the Company may file a rate change (hereinafter referred to as the “PGA Filing Adjustment Factor” (FAF) not to exceed five cents (\$0.05) per Ccf which is designed to refund to, or recover from, customers any over- or under-recoveries of gas costs that have accumulated since the Company’s last ACA Filing. **During 2021-2023, a FAF may be a credit up to \$0.25 per Ccf to account for the price spike and polar vortex seen in February 2021. This will allow the utility to mitigate price impacts on the customer***



## Continued- What are possible solutions to rules and tariff language that may impede financial relief for the utility and its customers? This could include discussion of the potential extreme prices on PGA/ACA

- File a waiver similar to YG-2019-0070/GR-2019-0119
- Spire on 11/5/2018:
  - In the interests of avoiding rate shock, however, the Company seeks to increase the ACA rate for VF service to 10 cents per therm, instead of the full 26 cents per therm that could be supported by those higher deferred balances
- Staff:
  - On November 5, 2018, the Company filed a Verified Application for Waiver (“Waiver”) which was docketed as Case No. GE-2019-0126, along with a substitute tariff sheet in Tariff Tracking File No. YG-2019-0070. As noted in the Company’s Waiver request, the Company’s Vehicle Fuel (VF) service ACA rate tariff was subject to a rate cap years ago, which rate cap was subsequently eliminated a number of years ago. However, the rate cap continued to be applied in subsequent ACA filings, which led to higher deferred balances for the VF service ACA. In the interest of avoiding rate shock to VF service customers, the Company is seeking a waiver in order to increase the ACA rate for VF service to 10 cents per therm instead of the full 26 cents per therm that would otherwise be required by the currently effective tariff language. Staff does not oppose this waiver
- MPSC on 11/7/2018:
  - Spire Missouri, Inc., d/b/a Spire East’s is granted a variance from the requirement of its Purchased Gas Cost Adjustment Tariff to include the actual Vehicular Fuel ACA factors in its November 2018 PGA filing



## What magnitude of a price increase could result? Could the period of recovery be extended? Would another mechanism such as an Accounting Authority Order (AAO) need to be available?

- All price and PGA discussions are forecasted and estimated. Many factors will lead to the final PGA/ACA rate. Some of these factors may include OFO fees, optimization, current ACA recovery, current PGA recovery, future WACOG of gas in storage, future and actual basis prices, future and actual NYMEX prices
- February 2021 gas costs vs total year 2020
  - West: Spire spent more in February 2021 than it did in the whole year of 2020
  - East: Spire spent about 40% of its 2020 calendar year in February 2021
- Price impacts:
  - East PGA increase of \$0.12 or \$0.04 over 3 years
    - Total bill impact 10-15% or 4% increase over 3 years
- Price impacts:
  - West PGA increase of \$0.18 or \$0.06 over 3 years
    - Total bill impact 15-25% or 7% increase over 3 years
- Spire would like an extended recovery time period laid out in previous slides. This extended period of time would be to the benefit of the customer
- AAO is an option but there is a mechanism currently in place to recover gas costs and true up gas costs in the PGA/ACA mechanism





# Evaluating and analyzing

## How can we help mitigate this in the future?

- Supply/Pipeline diversity on the West side of state
- Be involved with industry discussions about weatherization of production wells
- Ownership or JV in production wells. Tied to price to produce, not market price. Similar to electricians owning and getting recovery for generation in MO
- Continue to file complaints at market-reporting agencies or FERC if we see improper price signals or transparency
- Enhancing our reliability/resource plans to look 5, 10, 20+ years out
- **We intend to propose greater restrictions over third party marketers**
  - Ability to serve behind LDC gates- Firm rights to citygate
  - Financially strong and ability to post PG or LC
  - Application process



# Questions