



# Natural Gas Supply Restrictions, 2021-22

## STL Pipeline Update

### Background

Spire Missouri is the natural gas utility serving approximately 650,000 households and businesses in eastern Missouri. For transportation customers that secure their own natural gas supplies and transportation, Spire Missouri delivers that gas from its city gates to the facilities of transportation customers.

Historically, Spire Missouri and its transportation customers were heavily dependent on a single interstate natural gas pipeline—the Enable Mississippi River Transmission (MRT) system—to supply eastern Missouri. However, in the normal course of the utility’s prudent system planning efforts, the MRT system was identified as presenting a heightened reliability risk for Spire Missouri customers because (1) MRT derived its supplies from the traditional Midcontinent and Gulf Coast natural gas basins, whereas, by the mid-2010s, alternative supplies from the developing Appalachian Basins were providing better access to more diverse, reliable, and abundant natural gas, and (2) MRT’s system runs through the seismically unstable New Madrid fault zone. Additionally, during these planning efforts, operational problems were identified with Spire Missouri’s liquid propane “peaking” facilities, which required their retirement. (Peaking facilities are facilities that are called into service to meet periods of peak demand.)

To mitigate the identified risks from prudent system planning analyses, Spire Missouri initiated discussions with pipeline developers to improve critical infrastructure for gas supply into the St. Louis region that could optimize opportunities to access new prolific supplies from the Appalachian Basins and allow Spire Missouri to remove its liquid propane peaking facilities from its supply stack. STL Pipeline was formed to develop a project that satisfied all of Spire Missouri’s critical infrastructure needs. STL Pipeline proposed to build and operate a new 65-mile-long pipeline to bring gas from the Rockies Express Pipeline (“REX”), which would provide Spire Missouri with improved access to natural gas supplies from the Rockies and Appalachian Basins, bringing new supply diversity, reliability and cost competitiveness to the region.

In 2016, STL Pipeline filed an application with the Federal Energy Regulatory Commission (FERC) for authority under the federal Natural Gas Act (NGA) to construct this STL Pipeline project. The application underwent a rigorous two-year regulatory review at the FERC, including an Environmental Assessment under the National Environmental Policy Act.

In 2018, the FERC granted a Certificate of Public Convenience and Necessity (Certificate) to STL Pipeline. The Certificate required that the STL Pipeline project be constructed within two years. Construction of the project began immediately. By November 2019, the STL Pipeline was fully operational and began serving customers in eastern Missouri, including Spire Missouri and the transportation customers behind its city gate.

In February 2021, STL Pipeline performed exactly as intended during Winter Storm Uri. Because of service from STL Pipeline, and the diverse supply basis it accesses, Spire Missouri and its transportation customers largely did not experience the supply shortfalls and extreme price fluctuations experienced in other areas of the Central United States, including Western Missouri.

## Legal and regulatory challenges

Soon after the FERC issued the Certificate for STL Pipeline, that decision was challenged by the Environmental Defense Fund (EDF) and a landowner along the project route. When the FERC denied rehearing of its decision to grant the Certificate, in January 2020 these parties sought review of the decision at the United States Circuit Court for the D.C. Circuit. In this filing, EDF challenged the FERC's determination of need for the project under the NGA.

On June 22, 2021, the D.C. Circuit issued its opinion upholding EDF's challenge to the Certificate and remanding the proceeding back to the FERC for further determination. This decision included the imposition of a highly unusual remedy—vacatur of the Certificate pending remand. See *Env'tl. Def. Fund v. FERC*, 2 F.4th 953 (D.C. Cir. 2021).

The D.C. Circuit denied motions for rehearing, rehearing *en banc*, and for stay of the mandate. Accordingly, the Court's mandate (vacating the Certificate) issued on October 8, 2021.

An emergency application to stay the mandate (now considered an application to recall the mandate) pending application for writ of certiorari was filed with Chief Justice Roberts of the United States Supreme Court on October 4, 2021. Justice Roberts has requested response briefing, and the application has not yet been ruled upon.

In the meantime, on September 14, 2021, the FERC issued a temporary, short-term emergency certificate to allow STL Pipeline to continue operations through **December 13, 2021**.

Separately, STL Pipeline previously filed an application for a separate and distinct temporary emergency certificate on July 26, 2021. If granted, this temporary emergency certificate would allow STL Pipeline to continue operations throughout the pendency of the remand proceeding at the FERC regarding the original Certificate. Authorized comments in that docket have concluded, and the FERC is expected to take up the matter shortly.

## Impact on transportation customers

### Supply Limitations

Since the STL Pipeline began service two years ago, Spire Missouri made significant changes to its supply, system and operations. The STL Pipeline allowed us to take aging infrastructure offline – infrastructure that became obsolete with the STL Pipeline in place.

In addition, Spire Missouri's ability to secure new supply contracts on other systems serving the region is significantly constrained due to both operational changes and capacity turnback and remarketing on other transportation systems, making it difficult to replace that supply based on projected market availability and operating conditions. STL Pipeline now accounts for approximately one third of the natural gas Spire relies on to serve the St. Louis area. We can't simply go back to what was in place before 2019.

Due to these changes, and based upon modeling cold weather scenarios, Spire Missouri anticipates that it will not have enough natural gas supply into its distribution system to meet all demand for natural gas during portions of the Winter 2021-22 heating season if the STL Pipeline is not in service this winter. Without the STL Pipeline, Spire Missouri customers may potentially see service disruptions. Spire has explored alternative supply options and will continue to do so. But without the STL Pipeline, the reality is that the supply to our region is scarce.

If weather and supply conditions require reductions in natural gas use, our emergency curtailment plan will begin with limited use and/or curtailment of our transportation customers, and requests for voluntary customer conservation of energy in other customer classes. We may also increase voluntary conservation actions and expand curtailments to our non-transport commercial and industrial customers.

**Our intention is to preserve service to our residential and critical needs customers.** Based upon weather and supply conditions, controlled disconnections (planned outages) for residential customers may become necessary to limit impacts on critical needs customers.

## Tariff Provisions

Spire Missouri's Tariff Rules and Regulations, approved by the Missouri Public Service Commission, set forth the rights and responsibilities of Spire and its customers in the event of a supply shortage. The relevant Tariff Rules are set forth at the end of this document for reference.

Generally, the Tariff Rules require Spire to follow its Emergency Curtailment Plan (ECP). Under the ECP, transportation customers will be curtailed first. Importantly, Spire has no liability to transportation customers for supply disruptions resulting from implementation of the ECP. That's why it's critically important for transportation customers to start making their own contingency plans now in the event the ECP is implemented.

## Spire's commitments

Spire understands the gravity of the situation for customers in St. Louis. The regulatory uncertainty regarding the STL Pipeline (particularly after Dec. 13, when the STL Pipeline short-term certificate expires) requires us to have hard conversations with customers and communities about possible scenarios where natural gas may not be available for everyone this winter.

However, Spire is committed to being transparent with customers about the energy they rely on. Customers need to know that without the STL Pipeline in service during winter weather, the possibility of service disruptions and outages throughout the St. Louis area is very real.

Ensuring that residential customers stay safe and warm during cold weather conditions is our top priority. For transportation customers, this means keeping their employees safe and warm at home, even if commercial operations are impacted. In the event of a winter event with limited or no supply from STL Pipeline, Spire will work to maximize the delivery of natural gas to protect lives and property.

## Further questions

As set forth above, we are committed to keeping customers informed as the regulatory and legal situation unfolds in D.C. over the next weeks. In the meantime, your best source of information is your Spire business development representative. Please reach out directly with any additional questions or concerns, which we will strive to address promptly.

October 12, 2021

**RULES AND REGULATIONS**

**21. Emergency Curtailment Plan**

In the event the Company is unable to meet total natural gas requirements due to extreme weather conditions, reduction in supply, or other system operating conditions, or a combination thereof, the Company shall temporarily curtail natural gas loads to the extent necessary to maintain service required to protect basic human needs. This reduction shall be accomplished through the following steps which are designed to protect industry, commercial enterprise, and basic human needs to the extent possible during such periods of supply deficiency.

Company reserves the right to deviate from the prescribed steps on a system-wide basis in the event that it becomes necessary to protect isolated areas from a supply deficiency. This deviation shall be limited to the extent required to protect basic human needs within such areas.

**21.1 Curtailment Steps**

Step 1. All sales service to seasonal, interruptible and basic transportation customers is to be interrupted.

Step 2. All sales service to both firm sales customers and firm transportation customers with alternate fuel capabilities is to be curtailed to the extent of such alternate fuels.

Step 3. Before implementing further curtailment steps, the Company shall request voluntary load reduction of all customers.

Step 4. Curtail all schools using natural gas for heating to the lowest temperature levels consistent with building protection and suspend operations of all industrial customers with firm contracts with gas usage to be reduced to minimum volumes essential only for dormant plant and product protection. Such curtailment shall not be applicable to essential food processors and applications or uses required for the maintenance of essential public services.

Step 5. Curtail remaining commercial and industrial customers to minimum building protection volumes. Such curtailment shall not be applicable to hospitals, nursing homes, apartments, and other human needs applications

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**RULES AND REGULATIONS**

## 21. Emergency Curtailment Plan (continued).

## 21.2 Emergency Exemption

Emergency exemptions may be requested by customers for 24 – 48 hour periods to complete work in process. Granting of these exceptions will be based on the severity of supply deficiency with primary regard for human need.

## 21.3 Relief from Liability

The Company shall be relieved of all liabilities, penalties, charges, payments, and claims of whatever kind, contractual or otherwise, resulting from or arising out of the Company's failure to deliver all or any portion of the volumes of gas desired by any particular customer or group of customers to the extent that such failure results from the implementation of the Emergency Curtailment Plan herein prescribed or from any other orders or directives of duly constituted authorities, including, but not limited to, all regulatory agencies having jurisdiction in the premises.

## 21.4 Precedence

To the extent that this rule, or any provision(s) hereof, conflict with any other provision(s) of the Company's filed tariff, Rules and Regulations, or contracts, this rule shall take precedence.

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