

Exhibit No.: _____
Issue: Spire OFO and Curtailment Notices,
System Integrity, Spire Operations
During Cold Weather Event, Other Issues
Witness: James N. Cantwell
Type of Exhibit: Direct
Sponsoring Party: Constellation NewEnergy-Gas Division
Case No.: GC-2021-0315
Date Testimony Prepared: December 20, 2021

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILE NO. GC-2021-0315

DIRECT TESTIMONY AND SCHEDULES OF

JAMES N. CANTWELL

ON BEHALF OF

CONSTELLATION NEWENERGY-GAS DIVISION

December 20, 2021

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1 Constellation NewEnergy-Gas Division, LLC
2 v. Spire Missouri, Inc. and Spire Missouri West
3 Before the PSC of MO Case No. GC-2021-0315
4

5 Q. What is your name and where do you reside?

6
7 A. James N. Cantwell. 473 Whisper Winds Ct, Sapphire, NC 28774
8

9 Q. Who retained you and who do they represent in this Case?

10
11 A. I was retained by Jackson Walker L.L.P. acting for and on behalf of Constellation NewEnergy-
12 Gas Division, LLC (“CNEG”).
13

14 Q. Please describe your education and professional experience.
15

16 A. I graduated from the University of Texas at Austin with a B.S. in Mechanical Engineering with
17 Honors, and spent thirty-one (31) years in various aspects of the oil and gas industry. I served in
18 engineering and marketing roles for Exxon Company USA and Arco Oil & Gas Company, and in
19 senior leadership roles with Arkla Energy Resources, SCANA Hydrocarbons, SCANA Petroleum
20 Resources, Sklar Exploration, CDM Resource Management and CDM MAX. I retired in 2012 as
21 the President of Plains Gas Solutions, a subsidiary of Plains All American Pipeline Company.
22

23 Although I believe that all of the positions that I have held in my professional experience and
24 insight to the issues in this case, my experience at Arkla Energy Resources is particularly relevant.

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1 Arkla (predecessor to CenterPoint Energy) was an interstate pipeline with over 16,000 Shippers
2 delivering gas into 3600 gathering receipt points, transporting approximately 1.6 BCF/D through
3 2500 miles of pipelines located across seven (7) states. During my tenure at Arkla, I served at a
4 Director level for the company's Gas Contract Settlements Group, its Transportation and
5 Administration Services Group and its Gas Gathering Services Group. In those roles I was
6 responsible in part, for managing system supplies and deliveries for the Company's regulated gas
7 sales, transportation customers and our affiliated gas marketing and local distribution
8 companies, in Arkansas, Louisiana, Texas, Missouri and Minnesota, during the period of the
9 deregulation of interstate natural gas pipelines from regulated gas purchasers to long haul
10 transporters.

11

12 Q. Have you had any experience as an Expert Witness and what are your areas of expertise?

13

14 A. Yes. My expertise is in oil and gas production, oil, gas and NGL marketing, midstream gas
15 services, oil/condensate gathering, stabilization and sales, and intra and interstate gas gathering
16 and transportation. During my industry career I testified on multiple occasions as an expert
17 before the Alabama Oil & Gas Board. Since my retirement I have provided professional consulting
18 and expert witness services for over 30 clients in the areas described above, and testified before
19 the Texas Railroad Commission and in numerous arbitrations and lawsuits. I have represented
20 both defendants and plaintiffs, and my clients have included royalty owners, producers,
21 midstream service providers, inter and intra-state pipelines, local distribution companies, gas
22 marketers and industrial companies.

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Q. Have you provided a copy of your resume?

A. Yes, it is attached to my testimony as Schedule #1.

Q. Have you provided a list of the documents that you have reviewed and a list of the people you have talked to in conducting your analysis in this case and on which you rely in forming your opinions?

A. Yes, they are attached to my testimony as Schedule #2.

Q. Can you outline the scope of your assignment in this Case?

A. Yes. I was asked to review the circumstances and conditions related to the Spire Missouri West Extreme Weather Alert issued by Spire Missouri, Inc. and Spire Missouri West (collectively hereinafter referred to as “Spire”) on Gas Day (“GD”) 10 to become effective GD 12 (see Schedule #3, hereinafter referred to as the “Operational Flow Order” or “OFO”) through and including GD 19 (the “OFO Period”).

Q. Were you asked to review Spire’s tariff?

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1 A. Yes. I was asked to review the tariff as it relates to the issues in this Case. See Schedule #4
2 attached hereto, Spire's P.S.C. MO. NO. 8 Gas Tariff, hereinafter referred to as the "Tariff".

3

4 Q. Were you asked to evaluate the actions by Spire and CNEG related to the OFO?

5

6 A. Yes. I reviewed the actions by Spire and CNEG leading up to, during and after the OFO Period.

7

8 Q. Did you review the correspondence issued by Spire to CNEG related to the OFO?

9

10 A. Yes. I reviewed all alerts and releases issued by Spire to CNEG related to the OFO, all invoices
11 for OFO Penalties and all billings for month end gas imbalance amounts netted against the OFO
12 Penalties.

13

14 Q. Can you provide a brief summary of your testimony?

15

16 A. Yes. Based on the evidence I have reviewed in this case I do not believe that Spire can show
17 any reasonable threat to the integrity of its system to justify the issuance or duration of the OFO.
18 Spire's alerts and releases related to the OFO were materially deficient and inconsistent with the
19 Tariff to the level of being unenforceable. CNEG's actions during the OFO Period were compliant
20 with Spire's vague directives and helped Spire avoid any system integrity issues. Spire's invoices
21 for OFO Penalties are inaccurate and inconsistent with the Tariff, and should be waived. Finally,
22 I believe that certain actions that Spire elected to take during the OFO Period related to rate base

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1 assets and gas storage inventories, were irresponsible and diametrically opposed to the best
2 interests of its rate base and transportation customers, compared with alternatives available to
3 Spire for less operating and financial exposure, and less cost.

4

5 Q. Have you formed any opinions as an expert giving testimony in this Case?

6

7 A. Yes.

8

9 Q. Can you please list your opinions?

10

11 A. Yes:

12 1. Spire did not have reasonable grounds to issue the OFO based on the terms and
13 provisions of the Tariff and the evidence produced in this Case.

14

15 2. Once issued, Spire did not have reasonable justification to leave the OFO in place
16 through GD 19 and should have terminated the OFO sooner.

17

18 3. Leading up to, during and after the OFO Period, Spire's actions, alerts, releases and
19 invoices did not comply with the terms and provisions of the Tariff.

20

1 4. During and after the OFO Period CNEG took specific and significant action to comply
2 with Spire's vague and confusing OFO requests, made up all short imbalance volumes in-
3 kind and held a *long* imbalance position with Spire at the end of February 2021.

4
5 5. Spire had no agreement of any kind in place to sell gas to CNEG or its Customers prior
6 to or during the OFO Period, and elected not to establish one, and is seeking a financial
7 windfall from the events of Winter Storm Uri even though it never faced a system integrity
8 issue and could have implemented less costly alternatives.

9
10 6. Spire sold ^{**Confidential Information Removed**} for a significant

11 profit ^{**Confidential Information Removed**} during the OFO Period, via an ^{**Confidential Information Removed**}

12 ^{**Confidential Information Removed**} paid for by its rate base customers. Obviously,

13 Spire was not concerned about running short of storage gas. That alternative, ^{**Confidential Information Removed**}

14 ^{**Confidential Information Removed**}, was available to Spire for

15 gas sales to the gas marketers with customers on its system. Implementing that
16 alternative would have had significant, mutually beneficial benefits to Spire and all of its
17 customers. Spire's election not to use that alternative was irresponsible and diametrically
18 opposed to the best interests of its transportation and rate base customers.

19
20 Q. Can you provide more detail to support Opinions 1 and 2 regarding the issuance and duration
21 of the OFO?

22

1 A. Yes.

2

3 The terms and provisions of the Tariff related to OFOs and Periods of Curtailment are found in
4 Sheets 16.7 through 16.14 and are summarized as follows:

5 A. Before issuing an OFO, Spire is required to attempt to identify specific customers
6 causing the conditions that give rise to the need for the OFO, and attempt to remedy
7 those problems through requests for voluntary action; unless exigent circumstances
8 exist which require immediate issuance of an OFO.

9 B. OFOs are intended to protect the integrity of the system or any portion thereof, and
10 to insure compliance with the requirements of upstream pipelines.

11 C. The integrity of the system relates to Spire's ability to meet its distribution system
12 delivery obligations. High pressures that threaten to exceed the Maximum Allowable
13 Operating Pressure ("MAOP") of the system, and loss of sufficient line pressure to
14 meet delivery obligations, are examples of conditions which threaten the integrity of
15 the system.

16 D. OFO notices must be specific, state the duration of required compliance and the
17 parameters of such compliance.

18 E. Any OFO, along with associated conditions and penalties, shall be limited, as
19 practicable to address only the problems giving rise to the need for the OFO.

20 F. Spire may issue the requirements of an OFO to customers or agents by pipeline
21 segment, on a distribution system or any portion thereof, or to any individual agent
22 or customer.

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1 G. Spire will not apply an OFO Penalty to a customer whose conduct during an OFO is
2 compliant with the OFO or Spire West directives.

3

4 Q. Are you going to address your opinions regarding Spire's compliance with those provisions?

5

6 A. Yes. Opinion 3 outlines numerous ways that Spire's alerts, releases and invoices related to the
7 OFO failed to comply with the Tariff.

8

9 Q. Did you review any material regarding Spire's winter preparedness for the 2020-2021 winter
10 period?

11

12 A. Yes. As evidenced in data request responses and numerous public statements issued by Spire,
13 they were well prepared for the February cold weather event:

14

15 In Spire's response to Staff Data Request 0311, Spire replied:

16 ****Confidential Information Removed****


17 ****Confidential Information Removed****


18 ****Confidential Information Removed****


19 ****Confidential Information Removed****


20 ****Confidential Information Removed****


21 ****Confidential Information Removed****


22 ****Confidential Information Removed****


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When Spire gave its second quarter fiscal update and reported second quarter results (see Schedule #5 “Stepping forward” presentation and Schedule #6 “Spire Reports Second Quarter Results”, both dated May 7, 2021) Spire reiterated its winter and cold weather event preparedness:

- i) “We were well positioned with supply, transportation and storage resources.”
- ii) “Well positioned via thoughtful planning”
- iii) “Met customer demand while managing gas costs”
- iv) “Investing in our operations – Increasing system integrity”
- v) “Our exceptional operating performance reflects thoughtful preparation and the benefits of our investments in natural gas supply, storage resources and the Spire STL Pipeline.” and
- vi) “Degree days in the current year quarter were about 2% warmer than normal in Missouri...”

Q. Did you consider any system operating conditions related to the OFO in forming your opinions?

A. Yes. In addition to Spire’s ample gas storage inventory and the proactive measures described above, I conducted an analysis of the operating pressures on Spire’s system, by pipeline segment, by CNEG Customer meter, leading up to, during and after the OFO Period.

Q. What were you looking for?

1

2 A. As noted above, *before* any OFO is issued, the Tariff sets out a fairly pragmatic process for Spire
3 to follow starting with a decision to either issue an *immediate* OFO if an exigent circumstance
4 exists, or attempt to identify specific customers causing the conditions that give rise to the need
5 for an OFO. I wanted to see if Spire followed the Tariff provisions in issuing the system wide OFO
6 based on the information available to it at the time the decision was made.

7

8 Q. What did you find?

9

10 A. First, there were no exigent circumstances that required the immediate issuance of an OFO.
11 That is evidenced by the fact that the OFO Spire issued did not have immediate effect. It was
12 issued on GD 10 to be effective GD 12. The pressure data also supports that conclusion. Spire
13 did not have a system integrity issue at any time during the period leading up to the OFO, nor
14 were they experiencing a loss of system operating pressures giving rise to the need for an OFO.

15

16 Q. Aside from the pressure data, do you have any other basis for that opinion?

17

18 A. Yes. If Spire perceived a threat to system integrity, or the integrity of a given pipeline segment,
19 they had real time pressure data at a segment and customer meter level, that they could have
20 used at any time to identify the specific condition and customers giving rise to the threat, and
21 asked for voluntary action in accordance with the Tariff. Prior to issuing the OFO, Spire did not
22 ask CNEG or, to the best of my knowledge, any of its Customers for any voluntary action.

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Q. Are there any other system circumstances that you relied on for your opinion?

A. Yes. A customary operating practice in the pipeline and distribution industry in advance of a *potential* loss of operating pressure resulting from a *predicted* increase in demand and/or loss of supply, is to increase pressures (up to a reasonable safety factor below the MAOP) to increase the delivery capability of the segment or system. This practice is commonly referred to as “packing” the system and in most cases, gas storage volumes are used to pack the system.

It is evident that Spire did not perceive a threat to system integrity leading up to the issuance of the OFO because they did not proactively pack the system, even though they had by their own admission, more storage inventory than they could use heading into Winter Storm Uri. So much so that Spire elected to sell ^{**Confidential Information Removed**} _____ **during the OFO Period.**

Remember, the total under-delivered volume by all gas marketers during the OFO Period in excess of the Tolerance Levels was 168,487 dth, only ^{**Confidential Information Removed**} _____% of the volume sold ^{**Confidential Information Removed**} _____

Q. What do you conclude from these circumstances?

A. I believe that the OFO issued by Spire in this Case was in violation of the Tariff because i) there was no exigent circumstance requiring an OFO, ii) Spire failed to identify any condition or circumstance giving rise to the need for an OFO and elected not to make any requests for preemptive, voluntary action, and iii) there was no reasonable basis to perceive a threat to

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1 system integrity based on the information available to Spire at the time the decision was made
2 to issue the OFO.

3

4 Q. Can you provide more detail about the pressure data that you analyzed to support your
5 position?

6

7 A. Yes. Spire produced system operating pressure data for the month of February 2021 in two
8 separate responses to CNEG's data requests. I will refer to the first response as the "Pipeline
9 Segment" data and the second as the "Honeywell" data, both of which are attached hereto (see
10 Schedule #7 and Schedule #8 respectively).

11

12 The Pipeline Segment data lists the average **daily** pressure for each of Spire's 29 Border Station
13 EGM meters for the month, reflecting 812 data points. The Honeywell data lists the average
14 **hourly** pressure readings for each of CNEG's Customer meters for the month, reflecting 116,173
15 data points. To the best of my knowledge, Spire is able to poll (call up electronically) its EGM
16 meters on a daily and real time basis to monitor pressures, temperatures and gas flow on its
17 system.

18

19 Q. What did your analysis of the data show?

20

21 A. Collectively, the pressure data confirms that at no point prior to or during the OFO Period did
22 conditions threaten Spire's integrity at a system, pipeline segment or customer meter level. Spire

1 admits in its October 18, 2021 Supplemental Response to CNEG data requests that it did not lose
2 pressure at any Spire customer meter during Winter Storm Uri. Spire failed to meet the most
3 important condition precedent for issuing and maintaining an OFO, that being reasonable
4 justification that it had or faced a threat to its system integrity.

5

6 Q. Explain your analysis and exactly what support you rely on from the data to make those
7 statements?

8

9 A. First I analyzed the conditions and circumstances on Spire's system at a pipeline segment level.
10 Schedule #7 shows that through GD 9, *before* issuing the OFO on GD 10 effective on GD 12, Spire
11 did not preemptively pack the system or any individual segments, ahead of Winter Storm Uri.

12

13 Q. Can you give me specific examples to support that?

14

15 A. Yes. The data shows that:

16 i) 11 of the 29 pipeline segments had average pressures during the OFO Period that
17 were the same as the corresponding average pressures during the 2/1-9 period,
18 reflecting that 38% of the pipeline segments saw *no change* in operating pressures
19 throughout the OFO. No change is evidence of no effort to proactively pack the
20 system, and no loss of pressure after the OFO Period started.

21 ii) 15 of the 29 pipeline segments had average pressures during the OFO Period that
22 were *higher than* the corresponding average pressures during the 2/1-9 period. An

1 increase in pressure on 52% of the pipeline segments *during* the OFO period, when
2 the threat to system integrity from loss of pressure should have been at its peak,
3 supports the fact that Spire never experienced any threat to the integrity of these
4 segments throughout the OFO Period.

5 iii) 3 of the 29 pipeline segments had average pressures during the OFO Period that were
6 *lower than* the corresponding average pressures during the 2/1-9 period.

7

8 Q. Did you investigate whether or not the reduction of pressure on those 3 segments gave rise
9 to a threat to segment integrity, or the need to issue a segment specific OFO?

10

11 A. Yes. Although these 3 segments saw a reduction in pressure during the OFO Period, the
12 average pressures dropped by only 2.7%, 1.6% and 6.5% respectively, versus the 2/1-9 period.
13 Further, the reduction in pressures were not because Spire packed these segments in advance of
14 the OFO and then realized a dramatic pressure drop. The data shows that the 3 segment average
15 pressures during the 2/1-9 period were even with, + 2.6% and +0.7% of the average pressure on
16 those segments for the month of February. Those minor pressure differences do not reflect line
17 packing or a material loss of pressure giving rise to the need for an OFO.

18

19 Q. Did you further analyze the data for the segment that saw a 6.5% reduction in pressure to
20 confirm that it did not present a threat to segment integrity?

21

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1 A. Yes. Although I do not consider a 6.5% drop in pressure on a single segment to be a threat to
2 system integrity, or to the integrity of that segment, I took a closer look at the one segment, the
3 Crenshaw segment, that experienced that drop in pressure *during* the OFO Period versus the 2/1-
4 9 period, and note the following:

5 i) The Crenshaw segment had a loss of pressure from a 2/1-9 average of 536 psig to an
6 average of 501 psig during the OFO Period.

7 ii) The average **daily** pressure on that segment during the OFO Period varied from 516
8 psig on GD 13 to 497 psig, to 411 psig, to 499 psig to 535 psig on the following days.

9

10 Q. If Spire perceived that pressure drop to be a threat to integrity, does the Tariff have provisions
11 for Spire to follow in situations like that?

12

13 A. Yes. If Spire considered the drop in pressure on this one segment from 516 psig to 411 psig
14 over a 2-day period to be a threat to that segment's integrity, in accordance with the Tariff, it
15 had exactly the kind of information on which to:

16 i) Identify the specific segment and the specific customers on that segment causing the
17 condition giving rise to the problem,

18 ii) Attempt to remedy the problem through a request for voluntary action,

19 iii) Limit any OFO to the customers and agents on that specific segment, and

20 iv) Make the OFO specific as to the required compliance, the parameters of such
21 compliance and limit it as practicable, to address *only* the problems giving rise to the
22 need for the OFO.

1

2 Q. Did Spire implement any of those provisions?

3

4 A. No. Instead, Spire maintained the *system-wide* OFO issued five days prior to this isolated event.

5 Spire's election not to implement the Tariff provisions to identify, specify, resolve and limit the

6 situation to the affected segment and the parties on that segment is evidence that they did not

7 perceive the drop in pressure to be a threat to the integrity of that segment, much less the

8 system.

9

10 Q. Did CNEG even have customers located on the Crenshaw segment?

11

12 A. I am not sure. Although we asked for the meter data at a pipeline segment level, Spire did not

13 produce it that way.

14

15 Q. Is there any way to tell from the data?

16

17 A. Possibly. Spire produced the Honeywell data for over 170 CNEG Customer meters for February

18 2021. The highest monthly average pressure of all of those meters was 318.7 psig. During the

19 month, that meter ^{**Confidential Information Removed**} saw average pressures of:

20 i) 318.4 psig for the period 2/1-9,

21 ii) 318.5 during the OFO Period, and

1 iii) A daily low average of 317.0 psig on 2/12, reflecting a maximum pressure drop of 1.4
2 psig (less than 0.5%) during the OFO Period versus the 2/1-9 period.

3

4 Q. What did you conclude from that data?

5

6 A. Clearly, even if this meter is on the Crenshaw segment, this CNEG customer was not causing
7 the condition that might have given rise for Spire to issue a segment specific, customer specific
8 request for voluntary action, or failing that, a segment specific, customer specific OFO.

9

10 Q. What conclusions are you drawing from all of that based on your experience?

11

12 A. Spire's own evaluation of the circumstances and conditions on its system in the 9 days leading
13 up to the issuance of the OFO did not present either an exigent circumstance requiring an OFO
14 with immediate effect or a system integrity threat prompting them to pack the system ahead of
15 Winter Storm Uri. Based on the pressure data, Spire cannot support a reasonable threat to the
16 integrity of its system requiring the issuance of a system wide OFO.

17

18 Q. Did conditions change after the OFO Period started on GD 12?

19

20 A. Yes. Overall system operating pressures actually improved. Having 3 of 29 pipeline segments
21 with minor pressure drops, and 26 of 29 averaging pressures *during* the OFO Period the same as

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1 or higher than the averages on those segments leading up to the OFO, confirms that no integrity
2 issues ever developed on Spire's system or any segment thereof, in February 2021.

3

4 Q. What should Spire have done in your opinion, based on that data?

5

6 A. Spire should have terminated the OFO sooner based on the system operating pressure data
7 available to it during the OFO Period.

8

9 Q. Is it possible that even if the integrity of a pipeline segment wasn't threatened, that one or
10 more customer meters could have posed a threat?

11

12 A. It's possible but unlikely if the loss in pressure at the customer meter level never gave rise to
13 a loss in pressure at the applicable segment level.

14

15 Q. Did you analyze the Honeywell data at a customer meter level to be sure?

16

17 A. Yes. *At a Customer meter level*, the voluminous evidence shows much the same as it does at
18 a segment level:

19 A. Of the 170+ CNEG Customer meters included in the Honeywell data, 68 had average
20 monthly operating pressures over 10 psig (hereinafter referred to as the "68 Meters").

21 B. I did not analyze the pressure changes on CNEG Customer meters with monthly
22 average pressures below 10 psig because at such low pressures i) increasing operating

1 pressures requires minimal effort, ii) flow rates are minimal, and iii) slight changes in
2 pressure cause disproportionate swings in the percentage of pressure change (i.e. a 1
3 psig change in pressure on a meter operating at 5 psig represents a 20% swing).

4 C. 3 of the 68 Meters had average pressures during the 2/1-9 period that were more
5 than 1 psig *above* the average pressure for those meters for the month, and the
6 maximum was only 3.5 psig or 10% higher – a marginal increase that does not
7 constitute line packing.

8 D. 5 of the 68 Meters had average pressures during the 2/1-9 period that were less than
9 1 psig *below* the average pressure for the month, and the maximum was only 3.9 psig
10 or 4% lower – certainly not evidence of line packing, or an integrity issue.

11 E. 60 of the 68 Meters had average pressures during the 2/1-9 period that were
12 essentially flat with the average pressure for the month.

13 F. Collectively this data is further evidence that Spire did not have or expect a system
14 integrity issue, did not pack the system prior to Winter Storm Uri and lacked
15 justification in issuing the system wide OFO.

16
17 Q. So far you have discussed average pipeline segment and customer meter pressures *leading up*
18 *to* the OFO, and pipeline segment pressures *during* the OFO Period, did you look at customer
19 meter pressures *during* the OFO Period?

20

1 A. Yes. Only 3 of the 68 Meters experienced a pressure drop on average for the OFO Period of
2 10% or more from the corresponding average pressures during the 2/1-9 period. Two dropped
3 by 2.7 psig or 11% and the third dropped by 4.8 psig or 23%.

4

5 O. Did those reductions in pressure present system or segment integrity issues?

6

7 A. Not in my opinion. I base that on the following:

8 A. For the 2 meters that dropped on average by 2.7 psig, the *lowest daily* reading during
9 the OFO Period was 18.8 psig, 2.2 psig lower than the 21.0 psig average during the
10 OFO Period, and the *lowest hourly* reading was 17.0 psig, 4.0 psig lower than the
11 average during the OFO Period, limited to a single hour.

12 B. For the meter that dropped on average by 4.8 psig, the *lowest daily* reading during
13 the OFO Period was 12.6 psig, 3.1 psig lower than the 15.7 psig average during the
14 OFO Period, and the *lowest hourly* reading was 7.9 psig, 7.8 psig lower than the
15 average during the OFO Period, again limited to a single hour.

16 C. Evidently, none of these 3 meters, having average monthly operating pressures of 24
17 psig or less, were on the Crenshaw segment that operated at a monthly average of
18 532 psig. Even though they experienced a drop in pressure during the OFO Period,
19 the pipeline segment(s) they were on did not, which demonstrates that these 3
20 meters were not giving rise to an integrity issue on the segment(s) they were on.

1 D. Out of 170+ CNEG Customer meters, the maximum *daily* pressure loss (from the
2 average pressure during the OFO Period) was 3.1 psig for one day, and the maximum
3 *hourly* pressure loss on the same basis was 7.8 psig, for a single hour.

4 E. The fact that one CNEG Customer meter suffered a maximum pressure drop of less
5 than 8 psig *for one hour*, out of 170+ meters and 116,173 hourly readings for the
6 month, clearly demonstrates that neither CNEG or any of its Customers gave rise to
7 the need for Spire to issue or maintain a system wide or segment specific OFO.

8

9 Q. What does the Tariff require if Spire considered the drop in pressure on this *one meter* to be
10 a threat to segment integrity?

11

12 A. In accordance with the Tariff, Spire should have:

13 A. Identified the specific customer meter causing the condition giving rise to the
14 problem,

15 B. Determined if the meter threatened the integrity of the pipeline segment it was on,
16 and

17 C. Attempted to remedy the problem through a request for voluntary action.

18 D. Even though the operating pressure of that meter increased from a low of 7.9 psig to
19 14.8 psig *in the very next hourly reading*, and averaged 14.5 psig that day, Spire should
20 have limited any notice, request or other compliance action to that customer meter
21 and terminated that action as soon as it was evident that pressures had rebounded.

22

1 Q. What purpose would that have served?

2

3 A. The Tariff exists for a reason. Following the process set out by the Tariff would have made the
4 request for voluntary action or OFO specific, and limited the impact as much as practicable, to
5 address only the problem giving rise to the need for action.

6

7 Q. Do you believe that Spire’s issuance of the system wide OFO was an effort to ensure
8 compliance with an upstream pipeline’s directives, or that any circumstance on any upstream
9 pipeline presented an exigent circumstance requiring Spire to issue an immediate OFO?

10

11 A. No, and here is why:

12 A. On GD 9 Southern Star issued two OFOs, one specific to storage withdraws and the
13 other applicable only to parties taking deliveries from certain listed Line Segments on
14 Southern Star’s system. See Schedule #9 and Schedule #10.

15 B. Southern Star’s OFOs gave specific information as to customer storage withdraw rates
16 and inventories, the line segments affected by the segment specific OFO, and included
17 directions on how to access customer specific information including daily storage
18 balances. The OFOs also provided specific requirements and were for a specific
19 period, GD 11 through GD 16.

20 C. In its Response to Staff Data Request 0311 Spire admitted that “^{**Confidential Information Removed**}

21

Confidential Information Removed

[Redacted]

22

Confidential Information Removed

[Redacted]

1 D. Spire's Corporate Representative, Mr. George Godat stated in his December 13, 2021
2 deposition (see page 177 lines 3 through 7) that ^{**Confidential Information Removed**} [REDACTED]

3 ^{**Confidential Information Removed**} [REDACTED]

4 ^{**Confidential Information Removed**} [REDACTED] The rest, approximately ^{**Confidential Information Removed**} [REDACTED]%, is delivered

5 by or for the account of Spire for its rate base customers.

6 E. Mr. Godat further testified that Spire ^{**Confidential Information Removed**} [REDACTED]

7 ^{**Confidential Information Removed**} [REDACTED]

8 ^{**Confidential Information Removed**} [REDACTED]

9 ^{**Confidential Information Removed**} [REDACTED]

10 ^{**Confidential Information Removed**} [REDACTED]

11 ^{**Confidential Information Removed**} [REDACTED]

12 ^{**Confidential Information Removed**} [REDACTED]

13 ^{**Confidential Information Removed**} [REDACTED]

14 F. Compound that with the fact that less than 10% of the gas deliveries to Spire for
15 redelivery to CNEG's Customers during the 2/11-16 period were located on the Line
16 Segments affected by Schedule #10.

17 G. Just as those CNEG deliveries were not a material portion of CNEG's gas supply or
18 market on Spire, Spire's speculation on and leading up to GD 10 that its gas marketers

19 *may have* suffered a loss of physical supplies, making up at most ^{**Confidential Information Removed**} [REDACTED]% of their total

20 supply from Southern Star, does not represent a circumstance requiring the issuance
21 of a system wide OFO to comply with a segment specific upstream pipeline directive.

1 H. Schedule #9 did not change the limitation on Spire's storage withdraws, it merely
2 reiterated that Spire could not exceed the Maximum Daily Withdraw Quantity and
3 other provisions already in place. Southern Star reminding Spire to adhere to its
4 withdraw rate limitation did not justify Spire issuing a system wide OFO on its system.

5 I. Finally, as noted earlier, Spire did not perceive Schedule #9 or Schedule #10 to present
6 an exigent circumstance requiring the immediate issuance of an OFO because the OFO
7 Spire issued did not take immediate effect.

8

9 Q. That is a lot of detail. Can you summarize your points thus far?

10

11 A. Yes. Spire admits that it never lost pressure on its system or the ability to serve every single
12 one of its transportation and sales customers during February 2021. The pressure data Spire
13 produced supports that fact. Spire admits that it never curtailed gas deliveries to a single
14 customer on its system during the OFO Period, not even to the lowest priority of service
15 customer(s) on the Crenshaw segment. Spire admits that it had ample storage supplies going
16 into Winter Storm Uri, more than it could possibly use, and sold ████████████████████ ^{**Confidential Information Removed**} during the
17 OFO Period.

18

19 Spire never had a system or pipeline segment integrity issue or reasonable grounds to fear one
20 and the upstream circumstances on Southern Star did not give rise to either an exigent
21 circumstance requiring the immediate issuance of an OFO or the need for Spire to issue a system
22 wide OFO to comply with any Southern Star directive. Spire's system was well prepared and

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1 weathered Winter Storm Uri without incident. Spire did not curtail customer deliveries because
2 it didn't need to, it had physical alternatives and used them, albeit in a highly questionable
3 manner as I will discuss in Opinion 6 (related to ample natural gas in storage and Spire's sales of
4 natural gas).

5

6 Q. If Spire admits that it never lost pressure on its system and never curtailed deliveries during
7 Winter Storm Uri, why is it necessary for you to provide such detailed operating pressure data
8 and analysis in your testimony?

9

10 A. Because I think it is important that the Commission be fully aware of the data and other
11 resources and alternatives that Spire had available to it in real time, that neither CNEG or its
12 Customers had. Spire didn't just use the pressure data to monitor system integrity, they used it
13 to track which gas marketers on their system were short and to what extent, on a day to day
14 basis. They then used that information to buy incremental gas during the OFO Period in the open
15 market, at exorbitant prices, in direct competition with the very same gas marketers trying to
16 comply with their OFO directives to buy more gas to balance supply and consumption on their
17 system. Compared to the alternatives available to it, Spire's actions made the situation materially
18 worse.

19

20 Q. Did CNEG have enough information to prevent daily customer under-deliveries when it
21 received Spire's Extreme Weather Alert on GD 10?

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1 A. No. Only Spire had all of the critical information required to monitor under-deliveries at a
2 customer level on a daily or real time basis, including nominations, gas supplies, actual usage and
3 imbalances, and the system, segment and customer meter pressures. Even though CNEG's pool
4 nominations would be due on GD 11 for the next 5 gas days due to the upcoming long holiday
5 weekend, CNEG had to wait several days after receiving the Extreme Weather Alert to find out if
6 it had customer under-deliveries, and if so, to what extent.

7

8 For example, i) as of GD 11, Spire's system was only showing actual usage for CNEG's Customers
9 up to GD 5, ii) as of GD 13, such data was only available up to GD 8, and as of GD 15 such data
10 was only available up to GD 11.

11

12 By the time CNEG had sufficient information to react to Spire's vague "requests", it had already
13 made up short imbalance positions in-kind, and ended up long to Spire for the month of February
14 (i.e. it delivered *more gas* to Spire for the month than its Customers consumed).

15

16 Q. Hypothetically, if you assume that Spire was justified in issuing the OFO, why do you say that
17 they should have terminated it earlier?

18

19 A. Although I do not agree that Spire was justified issuing the OFO in the first place, Spire should
20 have terminated the OFO in any event effective GD 15 based on the fact that whatever integrity
21 issues Spire feared *might* develop after issuing the OFO on GD 10, never did. Any specific, limited

1 integrity issues that might have occurred on and after GD 15 could have been handled with
2 requests for voluntary action and the other Tariff provisions discussed above.

3

4 Q. What effect would that have had?

5

6 A. Terminating the OFO earlier would have been consistent with the Tariff to limit its impact to
7 the conditions giving rise to the problem based on the data available to Spire at the time, and
8 would have materially affected the amount of OFO Penalties. Terminating the OFO even effective
9 GD 16 would have reduced Spire's total invoiced OFO Penalty amount by over *80%*, representing
10 approximately *\$155 Million*. Spire's decision to leave the OFO in place on and after GD 15, even
11 though no system or pipeline segment integrity issues ever developed, results in a financial
12 windfall to Spire and its sales customers that should not be allowed.

13

14 Q. Ok let's move onto Opinion 3 (Leading up to, during and after the OFO Period, Spire's actions,
15 alerts, releases and invoices did not comply with the terms and provisions of the Tariff). On what
16 do you rely in forming that opinion?

17

18 A. Let me start with Spire's actions leading up to the OFO. As noted above:

19 A. Spire did not pack the system during the 2/1-9 period.

20 B. Despite the explicit language in the Tariff requiring Spire to attempt to identify specific
21 customers causing the conditions that give rise to the need for the OFO, and to
22 attempt to remedy those problems through requests for voluntary action, Spire never

1 asked for voluntary action by CNEG or any of its Customers prior to issuing the system
2 wide OFO, and

3 C. Neither the pressure data through GD 9 or the Southern Star OFOs presented exigent
4 circumstances which required immediate issuance of an OFO by Spire.

5
6 Next I would focus attention on Spire's actions and notices from GD 10 through GD 20. Spire
7 issued a number of general, if not vague, alerts and releases summarized as follows:

8
9 On GD 10 Spire issued Schedule #3. As you can see:

10 A. The email was not titled "Standard OFO Notice" but instead "Spire Missouri West
11 Extreme Weather Alert." There are no provisions in the Tariff for Extreme Weather
12 Alerts. Customers are left to guess whether requests made in an alert impose any
13 requirements under a Standard OFO?

14 B. It was based on predicted extreme cold weather, not any specific conditions on Spire's
15 system threatening its integrity and not in an effort to comply with the requirements
16 of an upstream pipeline.

17 C. Spire stated that it was issuing a Standard OFO effective GD 12.

18 D. The duration, until further notice, was not specific.

19 E. Spire is "requesting" that all end users control their usage to avoid under-deliveries.

20

21 Q. What issues do you have with the Alert?

22

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1 A. It was defective and did not comply with the Tariff. As Spire's own affiliate, Spire Marketing
2 Inc. pointed out (see Schedule #11, letter dated March 15, 2021 from Spire Marketing General
3 Counsel Mr. Sean Jamieson to Spire), contrary to the explicit provisions of the Tariff, Spire issued
4 a request, not a requirement. The "Extreme Weather Alert" did not constitute an OFO because
5 it failed to specify a mandatory OFO directive. This lack of clarity caused a great deal of confusion
6 that was compounded by the releases that followed.

7

8 Finally, Spire knew that CNEG and its Customers did not and would not have during the OFO
9 Period, access to real time, or even two or more day delayed data (gas supply nominations *and*
10 usage), to determine whether or not they were in an under-delivered situation.

11

12 Q. What was the next communication from Spire?

13

14 A. On GD 14 Spire issued Schedule #12:

15 A. This was a "release" titled "Spire asks customers to conserve energy...", still a request
16 not a requirement or mandatory directive.

17 B. Spire's President states in the release that "We are carefully monitoring the situation
18 and ***while our system remains strong...***".

19 C. At this point on GD 14, four days after sending the Extreme Weather Alert on GD 10
20 and having carefully monitored the situation, Spire has not curtailed a single
21 customer, has not issued a mandatory directive and admits that the system remains
22 strong. There is no evidence that there is or ever was a system integrity issue.

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Q. Next?

A. On GD 15, the same day it concluded its sale ^{**Confidential Information Removed**} [REDACTED], Spire issued Schedule #13.

A. This was another “release” specific to Southwest Missouri customers advising of Spire’s implementation of an emergency curtailment plan limited to the Joplin, Nixa and Ozark areas, not a Period of Curtailment in accordance with the Tariff and not applicable system wide. CNEG’s customers in this Case were not affected by this targeted, specific release.

B. As with the first deficient notice, the release *asks* customers to reduce usage.

C. Importantly, Spire clarifies that their *request* to reduce usage (even in an emergency curtailment situation) was only to “...minimum levels necessary to protect buildings and inventory.” The release further provided that “This request does not apply to hospitals, nursing homes, essential food processors, and other human needs applications.”

Q. What is the significance of that?

A. Clearly, these “Plant Protection” and “Human Needs” volumes are exempt from the curtailment plan and the release requests. Those exemptions are consistent with the Tariff’s

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1 Priority of Service provisions and logically apply both to the emergency curtailment plan and the
2 OFO, which if valid in the first place, was still in effect.

3

4 Q. Next?

5

6 A. On GD 16 Spire issued Schedule #14.

7 A. This was another “release” titled “Spire issues Emergency Curtailment Plan”.

8 B. The release was not specific to any area or pipeline segments and advised that Spire
9 was “...temporarily unable to provide transportation services to your business ... and
10 are implementing an emergency curtailment plan.” As with Schedule #13, it
11 reiterated the need to reduce gas usage only to Plant Protection levels and that the
12 request did not apply to Human Needs customers.

13 C. Spire has admitted in its responses to CNEG’s data requests that it never implemented
14 a curtailment plan and never curtailed a single customer on its system throughout the
15 OFO Period, despite issuing Schedules 13 and 14.

16

17 Q. Next?

18

19 A. On GD 17 Spire issued Schedule #15.

20 A. This was another “release” titled “Spire *asks* customers to continue *conserving*
21 *energy.*”

22 B. The release included some promising statements:

1 i) "...natural gas supply for the region is holding strong... be mindful of
2 conserving energy"

3 ii) "We are in a good position at this moment...".

4 iii) Spire continued *asking* for even more general cooperation.

5 C. At this point on GD 17, seven days after sending the Extreme Weather Alert on GD 10,
6 Spire still has not curtailed a single customer, still has not issued a mandatory directive
7 and admits that natural gas supply for the region is holding strong. There is still no
8 evidence that there is or ever was a system integrity issue, yet the OFO, if valid in the
9 first place, remained in effect.

10 D. The releases on and after GD 14, none of which mention the OFO, requesting, asking
11 and urging general actions but not mandating specific directives, and exempting
12 priority volumes even under an emergency curtailment plan, were extremely
13 confusing.

14

15 Q. Next?

16

17 A. On GD 18 Spire issued Schedule #16.

18 A. This was another release titled "Emergency Curtailment ends for Southwest Missouri
19 business customers". There was no mention of the OFO.

20

21 Q. Next?

22

1 A. On GD 19 Spire issued Schedule #17.

2 A. This was an email sent to CNEG finally communicating that “Spire Missouri is
3 terminating the Standard Operational Flow Order (OFO) effective at 9:00 AM February
4 20, 2021.”

5

6 Q. What are your issues with this email?

7

8 A. Despite explicit language in the Tariff, Spire did not provide its rationale for lifting the
9 purported OFO and consistent with the vague and confusing requests in the prior releases, this
10 email, terminating the OFO, only added to the confusion.

11

12 Q. Why do you say that?

13

14 A. In the last paragraph Spire stated: “If customers do not adhere to *these requests*, or *if actual*
15 *weather or operating conditions* require it, Spire Missouri *could issue* a system wide or shipper
16 specific OFO on short notice. *Those conditions* would be *expected* to remain in effect through
17 Monday, February 22, 2021. Spire Missouri will review and provide any changes or updates on
18 the status of its system *for the period of this posting.*”

19

20 Termination of the OFO seems clear and unambiguous in the opening, stand-alone
21 sentence/paragraph. However, the last paragraph is totally confusing. The email does not

1 include any requests but threatens another OFO if “*these requests*” are not adhered to. As a
2 customer, you are left to wonder, what requests? How do I adhere to a request that isn’t made?

3
4 The email does not cite any exigent circumstance or existing weather or operating conditions
5 giving rise to the need for an OFO but speculates that “*if*” conditions require it, another system
6 wide or Shipper specific OFO could be issued on short notice. Only now does Spire acknowledge
7 that it could make the threatened OFO “shipper specific” even though they failed to use that tool
8 based on the information they had on GD10.

9
10 The email goes on to say that the undefined “*conditions*” would be expected to last through GD
11 22. I find it ironic that here we have a specified period for a *potential* OFO based on a *speculative*
12 condition, even though the OFO had no specified period.

13
14 The email closes by promising updates on the status of its system “*for the period of this posting.*”
15 I don’t know what that was intended to mean. Is Spire terminating the OFO and posting another
16 one by this email? If the OFO is terminated, what “period” and “posting” are they implying? This
17 is understandably confusing.

18
19 Q. What problems did the issues with Spire’s alerts and releases that you discuss above present
20 for CNEG and its Customers?

21

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1 A. The lack of real time (or even one or two day delayed) data on which to calculate customer
2 under-deliveries (if any) and the lack of clarity in the GD 10 Extreme Weather Alert and each
3 release thereafter during the OFO Period, made complying with Spire's broad request (control
4 your usage) virtually impossible. Spire never provided the specific nature of the conditions giving
5 rise to the issuance or maintenance of the OFO or the responsible parties, and admitted in the
6 releases that the system remained strong throughout the OFO Period.

7

8 Q. Is CNEG the only customer that feels that way?

9

10 A. No. As Spire Marketing's Mr. Jamieson stated in Schedule #11 ^{**Confidential Information Removed**}

11 ^{**Confidential Information Removed**}

12 ^{**Confidential Information Removed**}

13

14 Q. Do you believe that Spire's OFO Penalty should be enforceable against CNEG if Spire's own
15 affiliate believes it is not enforceable against them?

16

17 A. No. If Spire's OFO Penalty assessment is defective and unenforceable against its affiliate, or
18 any other gas marketer or pool manager, for the same reasons, it should not be enforceable
19 against CNEG or any of its Customers.

20

21 Q. Let's move on. What happened when Spire issued CNEG an invoice for OFO Penalties?

22

1 A. Spire issued several invoices and billings related to the OFO Penalties, each of which added to
2 the confusion. Let's start with how OFO Penalties are determined pursuant to the Tariff:

3

4 The Tariff provides for the calculation of Standard OFO Penalties as follows:

5 A. The product of the greater of \$5, or 2 ½ times the applicable Gas Daily gas price
6 posting ("GDA"), times the MMBtu of Unauthorized Under-Deliveries that exceed the
7 Tolerance Levels.

8

9 B. The Tolerance Levels are when the Unauthorized Under-Deliveries to EGM meters
10 exceed 5% of authorized daily delivery levels (i.e. Authorized Usage).

11

12 C. A Customer's Authorized Usage during an OFO is equal to its daily MMBtu retainage-
13 adjusted confirmed nomination, which is the MMBtu volume of gas received for the
14 Customer by Spire at a receipt point, less 2% (i.e. to deliver 100 MMBtu to a customer
15 meter, 102 MMBtu must be delivered to Spire, 2 MMBtu is retained for lost and
16 unaccounted for and Spire use volumes, and a net of 100 MMBtu is delivered to the
17 customer).

18

19 D. Unauthorized Deliveries are then calculated as the difference between each
20 individually balanced customer's retainage-adjusted confirmed nomination, less its
21 actual usage, less its contract demand; or for pools, the group members' total

1 retainage-adjusted confirmed nominations, less their total actual usage, less their
2 total contract demand.

3

4 E. Actual usage is the MMBtu volume measured at the customer meter, in aggregate for
5 pools.

6

7 F. Contract Demand is a specific MMBtu volume option available to sales and
8 transportation customers and varies by Customer.

9

10 G. In summary, the *volume* components (in addition to the applicable GDA and penalty
11 multiplier) that are required to calculate an OFO Penalty are:

12 $((\text{Confirmed Delivered MMBTU}) \text{ minus } (\text{Retainage MMBtu})) \times 105\% \text{ minus } (\text{Actual}$
13 $\text{Usage MMBTU}) \text{ minus } (\text{Contract Demand MMBtu}) = \text{Penalty MMBtu}$. To be clear, a
14 “penalty” MMBtu volume is not the same as an “imbalance” volume and an “OFO
15 Penalty amount” is not the same as a “month end cash-out amount”.

16

17 H. And as noted above, additional consideration must be given to Human Needs and
18 Plant Protection volumes, and to Customers whose conduct during an OFO is
19 compliant with the OFO directives.

20

21 Q. Let’s start with Spire’s first invoice to CNEG for OFO Penalties. Please describe what happened.

22

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1 A. On February 24, 2021 Spire issued Schedule #18, the first invoice to CNEG for “OFO Penalties”.

2 That invoice presented multiple issues:

3 A. The invoice ^{**Confidential Information Removed**} [REDACTED].

4 B. It stated that ^{**Confidential Information Removed**} [REDACTED]

5 C. It made a general allegation that ^{**Confidential Information Removed**} [REDACTED]

6 ^{**Confidential Information Removed**} [REDACTED]

7 D. It stated that ^{**Confidential Information Removed**} [REDACTED]

8 ^{**Confidential Information Removed**} [REDACTED]

9 E. It demanded ^{**Confidential Information Removed**} [REDACTED]

10 ^{**Confidential Information Removed**} [REDACTED]

11 ^{**Confidential Information Removed**} [REDACTED]

12 ^{**Confidential Information Removed**} [REDACTED]

13

14 Q. What issues do you have with that invoice?

15

16 A. In no particular order, the invoice:

17 A. Contradicted the termination of the OFO through and including GD 19 pursuant to
18 Schedule #17,

19 B. Did not include the 5% Tolerance Levels,

20 C. Did not include Customer Demand volumes even though Spire confirmed that four of
21 CNEG’s customers had Contract Demand volumes in its Response to Staff Data
22 Request 0311,

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- 1 D. Did not exclude Human Needs volumes,
- 2 E. Did not exclude Plant Protection volumes,
- 3 F. Did not exempt CNEG or any of its Customers who complied with the OFO and Spire's
- 4 directives from the OFO Penalty,
- 5 G. Was calculated at a Pool level even though ultimate financial responsibility for the
- 6 penalty amounts resides at a customer level, and
- 7 H. Did not provide any basis for demanding immediate payment.

8 No reasonable party would have paid this erroneous, highly punitive, contested invoice upon
9 demand.

10

11 Q. What happened next?

12

13 A. On March 16, 2021 (billing date 3/12/21) Spire sent a second invoice to CNEG **Confidential Information Removed**

14 **Confidential Information Removed**.

15 Then on March 17, 2021 (billing date 3/16/21) Spire sent a
16 third invoice to CNEG **Confidential Information Removed**. This invoice appeared

17 to take the 5% Tolerance Levels into account *but did not resolve* the issues listed in 3 through 8
18 above. It too was erroneous and not CNEG's ultimate responsibility to pay.

19

19 Q. Was that the last one?

20

21 A. No. Spire sent CNEG another Balancing Charges invoice (billing date March 16, 2021) which
22 reflected **Confidential Information Removed** that appeared to net monies due

1 CNEG for the cash-out of CNEG's long, February month end pool imbalance, against the contested
2 OFO Penalty amount.

3

4 Q. What problems did these multiple invoices present for CNEG and its Customers?

5

6 A. By now it was evident that Spire's actions, alerts, releases and invoices repeatedly failed to
7 comply with the terms and provisions of the Tariff. Even to the extent that the Commission finds
8 that Spire did not violate the Tariff by issuing the OFO, the OFO Penalties should not be
9 enforceable and in any event, should not apply to CNEG and its Customers who complied with
10 Spire's OFO directives. No reasonable party would pay such exorbitant amounts without
11 appropriate review.

12

13 Q. Let's move on to Opinion 4 (during and after the OFO Period CNEG took specific and significant
14 action to comply with Spire's vague and confusing OFO requests, made up all short imbalance
15 volumes in-kind and held a *long* imbalance position with Spire at the end of February 2021). On
16 what do you rely in forming that opinion please take each point one at a time?

17

18 A. The evidence shows that despite the vague and general nature of Spire's directives, CNEG took
19 specific action to comply with them during the OFO Period and that such action had a significant
20 impact. Even with a multi-day delay in gaining access to the information on Spire's system
21 necessary to determine which if any of CNEG's Customers were in an under-delivery situation,
22 CNEG delivered enough gas to cover the usage by its Customers for the last two days of the OFO

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1 Period and made up all short pool imbalance volumes to Spire in-kind, by the end of February
2 2021.

3

4 Q. Please describe CNEG's specific actions in more detail?

5

6 A. In early February 2021, CNEG repeatedly sought corrections from Spire to erroneous gas usage
7 data posted by Spire for certain CNEG Customers dating back to GD 4 (see Schedule #19, email
8 chain between CNEG and Spire). As of GD 10, the day Spire issued the Extreme Weather Alert,
9 Spire could not resolve the misinformation and lack of information related to those CNEG
10 Customers.

11

12 As noted earlier, on GD 11, the day CNEG was required to submit its nominations for GD 12
13 through GD 16 due to the upcoming holiday weekend, CNEG was facing up to a 5 day delay in
14 getting actual usage volume information from Spire's system. CNEG was left to guess whether its
15 Customers were long or short and by how much, going into the most critical gas supply
16 nomination of the month for 5 days of the OFO Period.

17

18 Nevertheless, during the OFO Period CNEG sent over 215 electronic notices to its Customers and
19 followed up those notices with phone calls to its larger volume Customers, alerting them to the
20 conditions related to Winter Storm Uri, increased gas prices and demand, the existence of OFOs,
21 supply constraints, Spire's requests to reduce gas usage, and several specific examples of how to
22 reduce usage and related gas costs.

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Even though Spire’s request to control usage and reduce consumption did not apply to Human Needs and Plant Protection volumes, CNEG took action to reduce gas usage by all of its Customers wherever possible. CNEG then proactively contracted to purchase and deliver to Spire enough gas each day during the OFO Period to balance total pool delivered volumes with total estimated usage, even lacking the real time data necessary to ensure a zero balance.

Q. What were the tangible results of those actions?

A. Following the receipt of CNEG’s emails and phone calls, **77%** of CNEG’s Customers by number, *reduced* their gas usage for one day or more of the OFO Period versus the same day during the week prior, even though temperatures were lower during the OFO period (ranging from 30 to minus 3 degrees Fahrenheit) than the week prior (ranging from 44 to 6 degrees Fahrenheit).

In total, those cuts represented a **42%** reduction in gas consumption by that group of customers during the days of the OFO Period when CNEG’s pool volumes were short, versus the corresponding days of the week prior. Further, CNEG was *long* gas to Spire on a total pool volume basis for the last 2 days of the OFO Period.

Q. What is the significance of those actions and results?

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1 A. In my opinion those affirmative actions and tangible results are conclusive evidence that
2 CNEG's conduct during the OFO was compliant with the OFO and Spire's directives. CNEG should
3 not be subject to any OFO Penalties by the express terms of Section B.2(e), Sheet 16.9 of the
4 Tariff.

5
6 Q. Let's move on to Opinion 5 (Spire had no agreement of any kind in place to sell gas to CNEG
7 or its Customers prior to or during the OFO Period, and elected not to establish one, and is
8 seeking a financial windfall from the events of Winter Storm Uri even though it never faced a
9 system integrity issue and could have implemented less costly alternatives). On what do you rely
10 in forming that opinion?

11
12 A. The validity of the OFO and its duration are matters for the Commission. However, the events
13 leading up to Spire's claims for OFO Penalties in this Case are concerning:

- 14 A. During the OFO Period Spire never curtailed a single customer of any priority.
- 15 B. Spire is not claiming that the gas it purportedly sold to CNEG's Customers was an
16 Emergency Gas Sale under the Tariff, and rightly so because it does not qualify as such.
- 17 C. Spire did not have any kind of gas sales agreement in place with CNEG or any of its
18 Customers prior to or during the OFO Period and despite the sale of gas to ██████ on
19 ██████ **Confidential Information Removed** elected not to establish one. Going into the month of February, Spire had *gas*
20 *transport* agreements in place with CNEG's Customers and CNEG had *gas sales*
21 agreements in place with each of its Customers.

- 1 D. Moreover, there were no gas sales transaction confirmations in place between Spire
2 and any of the transportation customers it sold gas to as one would expect in any sale,
3 much less a sale of millions of dollars' worth of gas over a six-day period at prices up
4 to \$622/MMBtu. It is common industry practice for a sales transaction to specify the
5 price, seller, buyer, start date, end date, volume, location and other terms of any sale.
- 6 E. During the OFO Period, CNEG had access to its pool nominations and the GDAs, but it
7 did not have access to real time or even multi-day delay Customer usage information
8 on Spire's system. For example, as of 9:07 P.M. on GD 15, CNEG was only able to read
9 actual gas usage for its Customers through GD 11, before the OFO was even issued.
- 10 F. CNEG could not have determined whether any of its Customers were in an under-
11 delivered situation or to what extent, or if, or at what price, any under-deliveries
12 would be filled by Spire, until after the OFO Period ended. Indeed, until months after
13 the OFO Period.
- 14 G. Similarly, CNEG's Customers may have known, but not likely, what their actual daily
15 usage was during the OFO Period if they physically read their gas meters, but they did
16 not know what their daily nominations were, or what the GDAs were, or what the OFO
17 Penalty prices were.
- 18 H. None of CNEG's Customers could have determined whether they were in an under-
19 delivered situation or to what extent, or if, or at what price, any under-deliveries
20 would be filled or penalized by Spire, until after the OFO Period ended. Indeed, until
21 months after the OFO Period.

1 I. Only Spire had access during the OFO Period, when it mattered, to all of the
2 information required to i) determine under-deliveries by day at a Pool and Customer
3 level, ii) decide to curtail usage or deliver the short imbalance gas, iii) calculate its cost
4 of gas allegedly sold to cover such under-deliveries, and iv) calculate the OFO Penalties
5 that it would later invoice CNEG for based on the GDAs and the OFO Penalty
6 multiplier.

7

8 Q. Do you think that put CNEG and its Customers in an unreasonable position?

9

10 A. Yes. Imagine being in their position. During the OFO Period neither CNEG or its Customers
11 could have known what portion of the actual daily gas usage at each Customer meter was being
12 delivered by Spire i) under the Customer's *transportation* agreement for sale by CNEG to the
13 Customer at or around \$2.52/MMBtu (the Inside F.E.R.C. index price for Southern Star for
14 February 2021), or ii) without any prior notice or transaction confirmation, for sale *by Spire* at
15 prices ranging from \$44 to \$622/MMBtu (the range of GDAs from GD 12 - GD 18), and *further*
16 subject to penalties at prices up to \$1557/MMBtu.

17

18 If Spire saw daily short imbalances between the gas supplied by CNEG and the actual usage at a
19 given Customer meter during the OFO Period and elected not to curtail, but instead to deliver
20 and sell gas directly to the *transportation* customer to cover the imbalance, then the total gas
21 delivered balances with the total gas consumed. Spire unilaterally elected to deliver and sell

Direct Testimony of James N. Cantwell

1 coverage gas and now seeks reimbursement for the cost of such gas. Where is the under-delivery
2 giving rise to the OFO Penalty?

3

4 Q. Did Spire have alternatives that you think they should have used?

5

6 A. Yes.

7

8 Q. Are those alternatives related to your Opinion 6,¹ and if so, please explain?

9

10 A. Yes. I believe that there are several issues related to Spire's election to sell ^{**Confidential Information Removed**}

11 ^{**Confidential Information Removed**}

12 , ^{**Confidential Information Removed**} that the Commission should take into account in considering Spire's actions,
13 requests for replacement gas costs and enforcement of OFO penalties.

14

15 1. It is uncontested that Spire believed that it had ample gas in storage going into February
16 2021.

¹ Spire sold ^{**Confidential Information Removed**} for a significant profit on ^{**Confidential Information Removed**} during the OFO Period, via an ^{**Confidential Information Removed**} paid for by its rate base customers. Obviously, Spire was not concerned about running short of storage gas. That alternative, ^{**Confidential Information Removed**}, was available to Spire for gas sales to the gas marketers with customers on its system. Implementing that alternative would have had significant, mutually beneficial benefits to Spire and all of its customers. Spire's election not to use that alternative was irresponsible and diametrically opposed to the best interests of its transportation and rate base customers.

Direct Testimony of James N. Cantwell

- 1 2. Prior to making the sale, Spire must have reasonably determined that it had more gas in
2 storage than it could use and that selling it, even during an extreme weather event, would
3 not jeopardize its ability to serve its rate base customers.
- 4 3. Spire's storage capacity on Southern Star and the storage gas inventory are paid for by its
5 rate base customers. They are rate base assets.
- 6 4. Spire's sale ^{**Confidential Information Removed**} [REDACTED] was for a negotiated volume at a negotiated price materially in
7 excess of its cost of gas. Spire realized a significant financial gain from the sale.
- 8 5. Prior to the sale, Spire was well aware that the gas usage volumes ^{**Confidential Information Removed**} [REDACTED] on Spire's
9 system were immaterial, as was any under-delivery by ^{**Confidential Information Removed**} [REDACTED]. For perspective, the data
10 shows that total ^{**Confidential Information Removed**} [REDACTED] usage as a gas marketer during the OFO Period was ^{**Confidential Information Removed**} [REDACTED]
11 ^{**Confidential Information Removed**} [REDACTED] of the total usage by all marketers on Spire's system (see Spire Tab 1.D produced
12 with Mr. Godat's deposition).
- 13 6. At the time of the sale Spire knew that ^{**Confidential Information Removed**} [REDACTED] had no use for the ^{**Confidential Information Removed**} [REDACTED] on Spire's
14 system and would likely physically deliver that gas to a third party system.
- 15 7. At the time of the sale Spire knew that the GDA posting that it would pay to buy market
16 priced gas on the Southern Star system was \$329.595/dth and that the OFO Penalties that
17 it was watching unfold on its system, day by day, would be penalized at \$823.988/dth.
18 They would go up to \$622.795/dth and \$1556.963/dth respectively, on GD 17.

19
20 Q. Ok, what is your point as to Spire's alternatives?
21

Direct Testimony of James N. Cantwell

1 A. Spire chose to sell ^{**Confidential Information Removed**} during the OFO knowing that it would not necessarily
2 lead to more physical gas supplies on the Spire system, knowing that it would not necessarily
3 help maintain or improve system integrity, knowing that the gas it elected to buy to cover the
4 under-deliveries on its system would cost significantly more (at least 65% more than it sold gas
5 to ^{**Confidential Information Removed**} for), knowing the other gas marketers on its system were building material under-
6 deliveries and exorbitant OFO Penalties, and knowing that Spire's gas purchases on the open
7 market would be in direct competition with the efforts of the gas marketers on its own system
8 to buy more gas.

9
10 In my opinion, Spire knew or should have known that making gas sales transactions, like the one
11 it did with ^{**Confidential Information Removed**}, available to the other gas marketers on its system in a public, open season bid
12 process would have yielded at least the following mutual benefits:

- 13 A. The other gas marketers had huge incentives to use any such gas for deliveries to Spire
14 to mitigate their under-deliveries and OFO Penalties.
- 15 B. Any coverage gas Spire was relieved from having to buy in the open market by selling
16 storage gas would have made more gas available to the gas marketers on its system
17 to buy even more gas, at lower prices.
- 18 C. Any incremental gas deliveries to Spire would have improved Spire's system integrity.
- 19 D. Any incremental gas deliveries to Spire would have offset Spire's coverage gas cost
20 exposure to its rate base customers, dth by dth.
- 21 E. Spire would have netted the same profit selling to them as it did from selling to ^{**Confidential Information Removed**}.

1 F. Spire could have provided its transportation customers access to gas supplies, paid
2 for by its rate base customers, at significantly reduced costs, on top of mitigating OFO
3 Penalties at prices of \$823/dth plus, and at a substantial profit to be shared with the
4 rate base customers.

5 G. Remember, the total under-delivered volume in excess of the Tolerance Levels during
6 the OFO Period was 168,487 dth. That is only 34% of the ^{**Confidential Information Removed**} sales volume. Spire
7 could have carved out a portion of the ^{**Confidential Information Removed**} sale to accommodate the other gas
8 marketers or added that volume to the total sale, without risk.

9
10 Spire's actions compounded the OFO issues and were I think irresponsible to their transportation
11 and rate base customers.

12
13 Spire ended the month with the same amount of physical gas in storage that it sold to CNEG's
14 Customers during the month, because CNEG made it up and delivered it to them in-kind by the
15 end of the month, pursuant to the Agent Aggregation Service Agreement – LGS/LVS by and
16 between Spire and CNEG dated November 11, 2010 (Schedule #20). Yet Spire now seeks to retain
17 that make-up gas without crediting CNEG or any of its Customers for its value, *and* invoice for gas
18 replacement costs *and* exorbitant OFO Penalties.

19
20 Spire is asking to collect a financial windfall on multiple fronts even though it never faced an
21 integrity issue on its system during Winter Storm Uri and had alternatives that would have
22 directly and significantly benefited all of its customers.

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1 Q. Does that conclude your testimony?

2

3 A. Given that discovery in this Case is still ongoing and subject to the receipt of additional data

4 and information that may affect my opinions or lead to new opinions, yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Constellation NewEnergy-Gas)
Division, LLC,)
Complainant,)
)
v.)
)
Spire Missouri, Inc. and its operating unit)
Spire Missouri West,)
Respondents.)

Case No. GC-2021-0315

DECLARATION OF JAMES N. CANTWELL

My name is James N. Cantwell. I am over the age of eighteen, and I am competent and authorized to make this declaration. I prepared the foregoing *Direct Testimony of James N. Cantwell*. I declare under penalty of perjury that the same is true and correct to the best of my knowledge and belief.

Signed on this December 20, 2021.



JIM CANTWELL