

<b>Exhibit No.:</b>	
<b>Issue(s):</b>	<b>Off-System Sales</b>
<b>Witness:</b>	<b>David A. Yonce</b>
<b>Type of Exhibit:</b>	<b>Direct Testimony</b>
<b>Sponsoring Party:</b>	<b>Spire Missouri Inc.</b>
<b>Case No.:</b>	<b>GR-2022-0136</b>
<b>Date Prepared:</b>	<b>November 3, 2023</b>

**SPIRE MISSOURI INC.**

**GR-2022-0136**

**DIRECT TESTIMONY**

**OF**

**DAVID A. YONCE**

**\*\*Denotes Confidential Information\*\***

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

In the Matter of Spire Missouri, Inc. d/b/a Spire (West)            )            File No. GR-2022-0136  
Purchased Gas Adjustment (PGA) Tariff Filing                    )

**VERIFICATION OF DAVID A. YONCE**

STATE OF MISSOURI        )  
  )  
CITY OF ST. LOUIS        )

I, David A. Yonce, of lawful age, under penalty of perjury, and pursuant to Section 509.030, RSMo, state as follows:

1. My name is David A. Yonce. I am the Managing Director of Regulatory Affairs for Spire Missouri, Inc. My business address is 700 Market St., St Louis, Missouri 63101.
2. My direct testimony on behalf of Spire Missouri, Inc. is attached to this verification.
3. My answers to each question in the attached direct testimony are true and correct to the best of my knowledge, information, and belief.

*David Yonce*  
David Yonce (Nov 3, 2023 12:31 CDT)  
\_\_\_\_\_  
David A. Yonce  
  
November 3, 2023  
\_\_\_\_\_  
Date

**TABLE OF CONTENTS**

**I. INTRODUCTION..... 4**

**II. PURPOSE OF TESTIMONY ..... 5**

**III. OFF-SYSTEM SALE..... 6**

**IV. CONCLUSION..... 15**

1 **I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR**  
3 **THE BENEFIT OF THE MISSOURI PUBLIC SERVICE COMMISSION**  
4 **(“COMMISSION”)?**

5 A. My name is David A. Yonce, and my business address is 700 Market Street, St. Louis, MO  
6 63101.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am the Managing Director of Regulatory Affairs for Spire Missouri, Inc. (“Spire  
9 Missouri” or “Company”).

10 **Q. HOW LONG HAVE YOU HELD THAT POSITION AND WHAT ARE YOUR**  
11 **RESPONSIBILITIES?**

12 A. I have been in Spire Missouri’s Regulatory division since July 2023. I joined Spire Inc. in  
13 2013 as an Analyst in the Strategy and Corporate Development department. I was then  
14 promoted to Director and worked in that group until 2018, at which point I held various  
15 positions, including Director of Gas Control, Director of Gas Operations, Director of  
16 Workload Planning Strategy, and Managing Director of Gas Supply. In 2023, I moved into  
17 my current position with the Company as Managing Director of Regulatory Affairs. As  
18 Managing Director of Regulatory Affairs, I am responsible for the Company’s rates and  
19 tariffs, including overseeing the Company’s regulatory filings and managing cases before  
20 the Missouri Public Service Commission.

21 **Q. WHERE DID YOU WORK BEFORE JOINING SPIRE MISSOURI?**

22 A. After earning my undergraduate degree, I joined Edward Jones in 2008 and held various  
23 positions, where I focused on supporting Financial Advisors in meeting investor needs and

1 managing investments. I later transitioned to a procurement role with Anheuser-Busch  
2 InBev in 2012, where I managed contract negotiations and technology acquisition.

3 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

4 A. I graduated from Truman State University in 2008 with a Bachelor of Science in Business  
5 Administration. I later obtained my Master of Business Administration in 2014 from  
6 Washington University in St. Louis.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

8 A. Yes. I submitted testimony in GR-2021-0127.

9  
10 **II. PURPOSE OF TESTIMONY**

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The Staff of the Commission (“Staff”) has proposed a disallowance related to an Off-  
13 System Sale (“OSS”) that took place during Winter Storm Uri (“Uri”) in February of 2021.  
14 The purpose of my testimony is to explain that transaction from a gas supply perspective.

15 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

16 A. Spire Missouri made this OSS to help another local utility serve its customers during an  
17 extreme cold weather event. This transaction supported the overall region, by helping  
18 maintain system integrity on Southern Star Central Gas Pipeline Inc.’s (“Southern Star”)  
19 system, during a critically strained energy event, while also providing a financial benefit  
20 of \$75 million to Spire Missouri’s own customers.

**III. OFF-SYSTEM SALE**

1  
2 **Q. PLEASE DESCRIBE THE OFF-SYSTEM SALE THAT IS AT ISSUE.**

3 A. Spire Missouri made an OSS of natural gas during the extraordinary Uri winter storm. The  
4 OSS consisted of an in-ground storage transfer of [REDACTED] million British thermal  
5 units (“MMBtu”) of the Company’s natural gas in Southern Star storage inventory to  
6 [REDACTED], another public utility serving a neighboring  
7 state, on February 15, 2021. This documentation of this sale is attached as **Schedule DAY-**  
8 **D-1.**

9 **Q. WHAT WAS [REDACTED] INTEREST IN THIS TRANSACTION AS YOU**  
10 **UNDERSTOOD IT?**

11 A. [REDACTED] had a dire need for gas and asked if Spire Missouri would entertain a storage  
12 transfer. They were approaching a negative storage balance, putting them at risk for large  
13 penalties due to the multiple Southern Star Operational Flow Orders (“OFO”) that were in  
14 effect. We worked swiftly through the credit requirements associated with the sale,  
15 executed a North American Energy Standards Board (“NAESB”) agreement with  
16 [REDACTED], and requested 10-day payment terms in order to further reduce any credit  
17 exposure.

18 **Q. IN THE ABSENCE OF THIS OSS, COULD SPIRE MISSOURI HAVE USED THAT**  
19 **NATURAL GAS TO THE BENEFIT OF ITS OWN CUSTOMERS DURING URI?**

20 A. No. Initiating that OSS was the best course of action because the Company could not have  
21 used the storage inventory it sold to [REDACTED] for its own withdrawals during that period.

22 **Q. PLEASE EXPLAIN.**

1 A. Southern Star, the interstate pipeline from which Spire West receives an overwhelming  
2 majority of its gas supply, issued a series of OFOs from February 11, 2021, through  
3 February 19, 2021 during Uri, in accordance with Section 10.2 of its Tariff's General  
4 Terms and Conditions. Please see attached **Schedule DAY-D-2**. Spire Missouri's storage  
5 contract with Southern Star allows for a maximum storage quantity ("MSQ") of 16,295,829  
6 MMBtu and a maximum daily withdrawal quantity ("MDWQ") of 493,813 MMBtu. The  
7 day before the OSS the Company had 5,437,319 MMBtu in storage inventory, giving the  
8 Company ample excess storage to assist [REDACTED] and create value for its own customers  
9 by completing the OSS.

10 **Q. PLEASE DESCRIBE THE REQUIREMENTS OF SOUTHERN STAR'S OFOs**  
11 **DURING URI.**

12 A. Southern Star issued both delivery location and storage OFO's to maintain service in the  
13 face of dramatically increased demand during Uri. The delivery location OFO required that  
14 receiving parties taking gas from Southern Star, like Spire Missouri, not exceed the amount  
15 scheduled and confirmed with Southern Star for each of their delivery points, allowing, but  
16 limiting, no-notice withdrawals only up to each receiving party's contracted maximum  
17 daily quantity ("MDQ") for each respective delivery point. Receiving parties that violated  
18 this OFO were subject to the penalties provided in Southern Star's tariff general terms and  
19 conditions. Meanwhile, the storage OFO directed Spire Missouri to continue withdrawing  
20 stored natural gas at or below its MDWQ and not store any amount of natural gas above  
21 0% of its MSQ.

22 **Q. WHAT IMPACT DID THE OFOs HAVE ON THE COMPANY'S OPERATIONS?**

1 A. Complying with these OFOs during Uri was extremely difficult. Major supply disruptions  
2 and marketer shortfalls caused dramatic swings and frequent changes each and every gas  
3 cycle at all of the delivery points where we served as point operator, and this OFO did not  
4 allow for a shipper to be long at one delivery location and short at another. As stated above,  
5 no-notice storage withdrawals were limited to the remaining MDQs on our contract, and  
6 managing the drastic changes to scheduled and flowing supply made it nearly impossible  
7 to maximize storage withdrawals while simultaneously complying with the delivery  
8 location OFO. This task was made even more difficult due to the long holiday weekend  
9 over which Uri occurred, requiring us to make purchasing decisions on Friday morning  
10 (February 12) for gas that had to flow Saturday, Sunday, Monday and Tuesday (February  
11 13-16). Attached as Schedule DAY-D-3 and Schedule DAY-D-4 are the Southern Star  
12 OFOs discussed above.

13 **Q. PLEASE SUMMARIZE SPIRE WEST'S USE OF STORAGE GAS DURING URI**  
14 **TO STAY IN COMPLIANCE WITH THE OFO.**

15 A. Spire West did its best to utilize the maximum amount of storage it could during Uri in an  
16 attempt to remain in compliance with both the storage OFO and, more importantly, the  
17 delivery location OFO, which limited no-notice storage withdrawals to remaining available  
18 MDQs on its contract with Southern Star. The difficulty of this was only exacerbated by  
19 the failure of some marketers to deliver gas to transportation customers behind Spire  
20 Missouri's city gate during this time.

21 **Q. WHERE DID THE OFO EFFECTIVELY LEAVE SPIRE MISSOURI IN REGARD**  
22 **TO ITS STORAGE GAS?**



1 A. Spire Missouri was left with natural gas in Southern Star storage that it could not directly  
2 utilize during Uri to serve its customers.

3 **Q. DID THIS INFLUENCE SPIRE MISSOURI'S DECISION TO MOVE FORWARD**  
4 **WITH THE OSS AT ISSUE?**

5 A. Yes. In our opinion, it would have been imprudent to not enter into the OSS. Failure to  
6 move forward would have foregone savings for the Company's customers and put the  
7 Kansas customers served by [REDACTED] at unnecessary risk.

8 **Q. DID SPIRE MISSOURI REPLACE THE GAS IT SOLD?**

9 A. Yes. After the Company finalized the sale to [REDACTED], the Company purchased  
10 [REDACTED] MMBtu of baseload gas from [REDACTED] at a fixed price  
11 of [REDACTED] per MMBtu on February 19, 2021. The documentation of this purchase is  
12 attached as Schedule DAY-D-5.

13 **Q. WHAT WAS THE PURPOSE OF THIS PURCHASE?**

14 A. Since the Company did not need and could not use the gas that it sold in this OSS during  
15 the Uri event, nor could it inject into storage during Uri, the purchase of replacement gas  
16 was made for the Company's March baseload when the Company knew it could be  
17 replaced.

18 **Q. WHEN WAS THE DECISION MADE TO MAKE THIS REPLACEMENT**  
19 **PURCHASE?**

20 A. The decision was made at the same time the sale to [REDACTED] was being contemplated  
21 and executed.

22 **Q. HOW DOES THIS PURCHASE RELATE TO THE SUBJECT OFF-SYSTEM**  
23 **SALE?**

1 A. Given that the price of gas purchased from [REDACTED] was specifically converted to the  
2 fixed price of [REDACTED] per MMBtu and purchased as the replacement gas for the sale  
3 to [REDACTED], under the Company's Tariff Sheet No. R-27, it is the appropriate cost of  
4 gas supply ("CGS") to apply to the OSS at issue. Sheet No. R-27 is attached to the Direct  
5 Testimony of Scott Weitzel as Schedule SAW-D-5.

6 **Q. WOULD YOU SAY IT'S A COMMON PRACTICE TO ASSIGN A PURCHASE TO**  
7 **A SALE OTHER THAN THE HIGHEST PRICED CGS?**

8 A. Yes. The Direct Testimony of Scott Weitzel covers the tariff provisions in more detail, but  
9 I would say it's fairly common to do this and I've seen it done in other transactions that  
10 were not questioned by Staff. There are specific sell and buy transactions that comprise  
11 this OSS.

12 **Q. WAS ANYTHING ABOUT THIS DEAL FUNDAMENTALLY DIFFERENT FROM**  
13 **OTHER OSS TRANSACTIONS?**

14 A. No.

15 **Q. ARE THERE OTHER REASONS THAT THIS PURCHASE AND THE SUBJECT**  
16 **OFF-SYSTEM SALE ARE LINKED?**

17 A. Yes. The purchase from [REDACTED] was unique because it was based on a fixed price.  
18 Spire Missouri does not usually purchase monthly baseload at fixed prices and only did so  
19 here to lock in the large margin of this OSS for our customers and the Company to share.  
20 Moreover, this baseload deal was attractively priced to provide risk mitigation against any  
21 potential price increases later in the heating season. Again, attached as Schedule DAY-D-  
22 1 and Schedule DAY-D-5 are the sale and purchase records that support that the  
23 [REDACTED] purchase on February 19, 2021, was tied to the [REDACTED] sale on February

1 15, 2021. For these reasons, [REDACTED] per MMBtu is the appropriate OS-CGS to assign  
2 to the OSS, not [REDACTED] per MMBtu as recommended by Staff.

3 **Q. ARE THERE OTHER REPORTS THAT DOCUMENT SCHEDULE DAY-D-1**  
4 **AND SCHEDULE DAY-D-5 RELATED TO THE OSS?**

5 A. Yes. Please see Schedule DAY-D-6, which is the February 2021 OSS report. These  
6 reports are filed as part of the ACA process in response to data requests. These reports  
7 are also part of the CGS-Schedule and record-keeping requirements set forth in the  
8 Company's Rules and Regulations tariffs, Sheet No. R-27.1, attached as Schedule DAY-  
9 D-7. The February 2021 OSS report clearly shows that for the OSS at issue, the "Sales  
10 Price" for the gas sold was [REDACTED] per MMBtu, and the "Purchase Price" for the  
11 replacement gas was [REDACTED].

12 **Q. WHERE DOES STAFF DERIVE ITS PROPOSED OS-CGS?**

13 A. Staff's [REDACTED] per MMBtu does not appear to be tied to any actual OSS or other recorded  
14 transactions. The memorandum accompanying Staff's recommendation explains only that  
15 Staff "believes a higher Cost of Gas Supply" should be used. The CGS in Staff's Microsoft  
16 Excel workpapers supporting its memorandum is hard coded as [REDACTED] per MMBtu, and  
17 there is no formula or citation detailing how Staff derived the figure or where it even came  
18 from. In fact, the molecules that Staff has assigned to the sale that occurred on February  
19 15, 2021 were actually molecules that were either consumed by the Company's customers  
20 or used to supplement marketer shortfalls during Uri, and thus physically impossible to be  
21 used as replacement gas for the OSS.

22 **Q. IS THERE A SOURCE YOU SUSPECT IS THE BASIS FOR THE PRICE USED**  
23 **BY STAFF?**

1 A. Yes. Spire Missouri infers that Staff is assigning the higher CGS simply to eliminate any  
2 “sharing” for the Company. Additionally, as mentioned above, not only has Staff  
3 connected an arbitrary CGS to the OSS on February 15, 2021, it also assumes that the gas  
4 purchased and actually used by the Company to serve the very high loads on its system  
5 February 14, 15, and 16, 2021, was used to replace the sold natural gas in storage. That is  
6 not true, nor does it seem logical.

7 **Q. WHY NOT?**

8 A. First, the February 13-15, 2021, weekend was a three-day weekend, as Monday, February  
9 15, 2021, was Presidents’ Day. Thus, the Company actually had to make purchasing  
10 decisions on Friday morning (February 12) for gas that would flow on Saturday, Sunday,  
11 Monday and Tuesday (February 13-16) due to the long holiday weekend. This timeline  
12 made things very difficult, especially with the extreme weather forecast we were seeing,  
13 both in the regions we serve and the producing regions we source gas from, such as West  
14 Texas and Oklahoma. The OSS sale to [REDACTED] was done on February 15, 2021. Spire  
15 Missouri did not replace the gas sold to [REDACTED] with purchases before the OSS  
16 occurred. It would be unusual, and often highly impractical, to acquire replacement gas  
17 before an OSS occurs. Staff’s hypothetical scenario is simply not the reality of what  
18 actually happened.

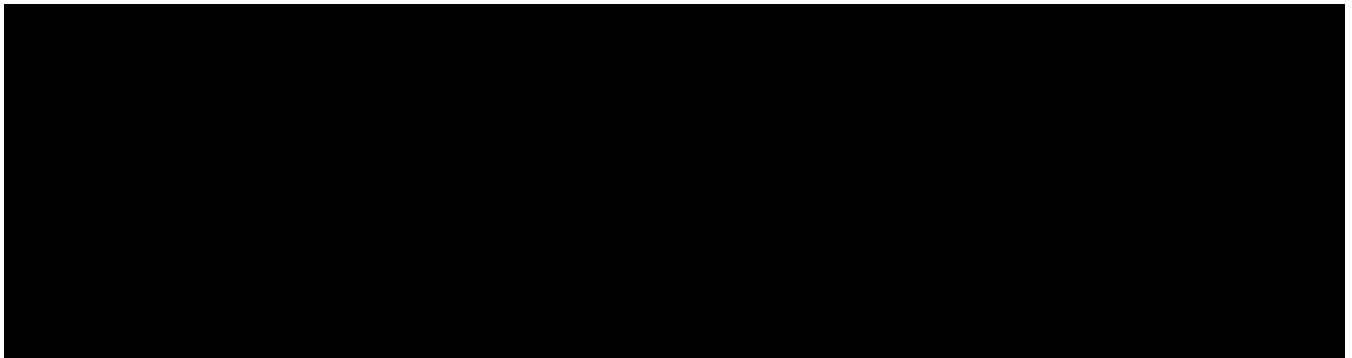
19 **Q. WOULD IT HAVE BEEN POSSIBLE TO HAVE MADE THOSE PURCHASES ON**  
20 **FEBRUARY 14, 15, AND 16, 2021 FOR THE PURPOSE OF REPLACING**  
21 **STORAGE?**

22 A. No. It would have been operationally impossible to replace the gas on February 14, 15,  
23 and 16, 2021, in preparation for a future OSS. This period was still in the midst of frigid

1 temperatures during Uri. The Company was using all physical supply resources to serve  
2 firm sales to customers and maintain the operational integrity of its system, including  
3 withdrawals from storage. It would have been physically impossible to replace, as Staff's  
4 workpapers suggests, the OSS gas when all supplies were committed to customer needs.

5 **Q. WOULD YOU COMPARE THE STAFF PROPOSED ADJUSTMENT TO SPIRE**  
6 **WEST'S ACTUAL ACTIVITY ON SOUTHERN STAR DURING THE**  
7 **FEBRUARY 14-16 TIME PERIOD?**

8 A. Yes. Below is a table that compares Staff's assumption to the actual activity:



12 Note that Southern Star reflects no storage injections for Spire West during this period, but  
13 rather, significant withdrawals. This is logical given that the OSS occurred during Uri.

14 **Q. WAS THERE ANOTHER FACTOR THAT CONTRIBUTED TO THE**  
15 **EXTREMELY HIGH DEMAND ON THE SPIRE WEST SYSTEM OVER THIS**  
16 **PERIOD OF TIME?**

17 A. Yes. In addition to the expected consequences of Uri, Spire Missouri also had to support  
18 marketer shortfalls on the February 14, 15, and 16 to serve transportation customers.

19 Over these three days, the Company had to cover the following marketer shortfalls:

- 20
- On February 14, Spire Missouri covered the marketer shortfall of 12,132  
21 dekatherms ("dth").

- 1           • On February 15, Spire Missouri covered the marketer shortfall of 32,443 dth.
- 2           • On February 16, Spire Missouri covered the marketer shortfall of 66,599 dth.

3           This added up to a total amount of 111,174 dekatherms that Spire Missouri had to cover.  
4           This created more stresses on supply needs and uncertainty in managing our gas supply  
5           portfolio during a critical time.

6   **Q. DID THE SUBJECT OFF-SYSTEM SALE PROVIDE A BENEFIT FOR THE**  
7   **REGION?**

8   A. Yes. Many interstate pipelines were struggling operationally during Uri. The Southern  
9   Star OFOs show that Southern Star was also concerned about its pipeline integrity. As Staff  
10   described them in its April 30, 2021, report on the cause of Uri in Case. No. AO-2021-  
11   0264, OFOs “are only issued by a pipeline as a *last resort* when shipper compliance has  
12   not occurred, or the integrity of the pipeline system has been compromised.” (Emphasis  
13   added). Spire helped a fellow utility get through this critical period. We saw the rolling  
14   blackouts in Missouri and the dire situations in Texas. Spire Missouri used all of its  
15   resources to help the region through the storm, while reducing customer bills by \$75  
16   million. This is exactly the type of “win-win” the Company’s OSS tariffs are designed to  
17   incentivize. Spire Missouri should be rewarded, rather than punished, for activity that helps  
18   all stakeholders during critical times.

**IV. CONCLUSION**

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**Q. WHAT CONCLUSIONS DO YOU BELIEVE THE COMMISSION SHOULD REACH IN THIS CASE?**

A. I believe that the Commission should conclude that Spire Missouri’s actions and decisions as to the subject OSS were to the benefit of Spire Missouri’s customers, a fellow utility, the broader region, and in compliance with Spire Missouri’s tariffs. Accordingly, a disallowance as proposed by Staff is not appropriate.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes.