

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

In the Matter of the Cause of the February)
2021 Cold Weather Event and its Impact) **File No. AO-2021-0264**
On Investor Owned Utilities)

SNGMO’S WRITTEN RESPONSES TO COMMISSION QUESTIONS

COMES NOW Summit Natural Gas of Missouri, Inc. (“SNGMO”) submits its written responses to the questions posed by the Missouri Public Service Commission’s (“Commission”) *Order Directing Appearances* issued March 11, 2021, and the *Order Directing Response* issued March 19, 2021.

INTRODUCTION

SNGMO appreciated the opportunity to participate in the recent workshop and to provide information to the Commission regarding its gas purchase impacts related to the extremely cold winter weather beginning February 13, 2021, and the related extraordinary events in the gas markets.

SNGMO is a gas-only investor-owned utility, serving approximately 19,300 customers in five base rate areas - Gallatin, Warsaw, Lake of the Ozarks, Branson, and Rogersville. The customer base consists primarily of residential and small commercial customers in rural areas and small towns.

For purposes of the PGA/ACA, the Warsaw and Lake of the Ozarks area, and the Rogersville and Branson areas are combined. The Gallatin district is served by the ANR Pipeline, while both the Warsaw/Lake of the Ozarks area and the Rogersville/Branson area are served by the Southern Star Pipeline.

SNGMO manages its natural gas supply through a combination of fixed price contracts and gas purchased at index pricing. These procurement practices, which are provided annually to the Staff of the Commission, are designed to balance the risks and opportunities of the commodity market, allowing gas prices to stay relatively low and relatively stable for SNGMO customers. In a wide range of weather and market conditions, SNGMO's procurement practices have, in the past, mitigated upward natural gas spikes and helped keep the Company's cost of gas stable.

The historic spike in natural gas prices during the period of February 13-17 fell well outside the typical range of forecastable market conditions or anything previously experienced. In this instance, market prices increased from approximately \$2.50/mmbtu to over \$620/mmbtu by the end of the cold weather event. To provide an idea of the order of magnitude represented by this event, SNGMO spent \$6,884,678 to purchase natural gas for the entire 2020 calendar year. By comparison, SNGMO spent \$34,335,700 to purchase the necessary natural gas to keep gas flowing to its customers in February 2021 only.

To keep supply and service secure during this extraordinary event, while trying to mitigate the price impact on customers, SNGMO implemented additional measures including: reaching out through multiple channels to encourage customers to conserve energy; kept in communication with the Staff of the Commission; made daily nomination adjustments throughout the long weekend; ordered our non-human needs transport customers in the Rogersville district to reduce process load and use heat only; and operated our compressed natural gas ("CNG") facility to support system needs.

SNGMO continues to assemble and assess the data from this period. However, the information known today very much suggests that a recovery process different from that called for by SNGMO's existing PGA/ACA tariffs is necessary to both reasonably provide the Company with an opportunity for recovery and to recognize the impact to customers that could result.

SNGMO believes that extending the recovery period for these costs from the 12 months reflected in existing tariffs is in the best interest of its customers. Achieving this result will likely require, at a minimum, tariff waivers and/or modifications to SNGMO's PGA/ACA tariff provisions.

Order Directing Appearances – March 11, 2021

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

SNGMO's PGA tariff currently requires recovery of gas costs over a 12-month period. SNGMO believes that extending the recovery period is in the best interest of its customers. As stated above, achieving this result will likely require tariff waivers to waive or modify certain PGA tariff provisions and, perhaps, an accounting authority order.

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

Gas prices during the cold weather event spiked well above historical figures. A chart identifying possible impacts upon customers is provided below in response to question 3 from the March 19, 2021 Commission Order.

SNGMO believes an extended recovery time period is necessary and would benefit customers. An extended time period for recovery would allow the costs to be spread out, resulting in lower bill impacts, albeit for a longer period of time.

An AAO likely is not necessary to recover under SNGMO's PGA; however, under certain circumstances, an AAO may be beneficial for auditing purposes.

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

SNGMO did not issue operational flow orders as to its system. However, SNGMO was operating under an OFO from the interstate pipelines and these costs would be passed through to interruptible transport customers under existing tariff provisions. At this time, SNGMO has not received billing for any OFO penalties from upstream pipelines. SNGMO has sent notification to its interruptible transport customers of the potential for OFO penalties.

During the cold weather event, SNGMO closely monitored its system and sent messaging to all customers about how to conserve gas usage. Additionally, SNGMO asked interruptible customers to reduce usage to heat load only but did not fully curtail any customers. Those asked to reduce to heat load complied and SNGMO was able to avoid any curtailments.

Order Directing Response – March 19, 2021

1. How did your gas costs for February 2021 compare total calendar year 2020 gas costs?

Gas costs for February 2021 were \$34,335,700. Gas costs for the 2020 calendar year were \$6,884,678. A break down of these costs between the three PGA areas is found below:

	<u>Gallatin</u>	Warsaw/ <u>Lake</u>	Rogersville/ <u>Branson</u>
Total 2020 Gas Costs	\$ 516,625	\$ 1,443,069	\$ 4,924,984
Feb 2021 Gas Costs	\$ 1,086,261	\$ 8,539,062	\$ 24,710,377
Dollar Difference	\$ 569,636	\$ 7,095,994	\$ 19,785,393
Percent Difference	210%	592%	502%

2. a. Do you anticipate being billed penalties from any gas pipeline?

SNGMO has not yet been billed for upstream pipeline penalties. The Southern Star Pipeline, one of SNGMO's upstream pipelines, is currently seeking a wavier for OFO penalties incurred during this time period from FERC.

b. If yes, what is the potential magnitude of the penalties?

If OFO penalties are assessed by Southern Star, SNGMO estimates them to be in excess of \$6M.

3. What do you estimate the impact of the weather event will be on your Purchased Gas Adjustment tariff rate?

SNGMO expects that the customer impacts would be substantial, if recovered over a 12-month period. Those estimated impacts are shown in the table below.

SNGMO Customer Impact Analysis

<u>Rate Area</u>	<u>Customer Class</u>	<u>Estimated Annual Impact per Cust</u>	<u>Estimated Monthly Impact per Cust</u>	<u>Avg Percent Bill Increase</u>
Gallatin	GS Residential	\$ 338.85	\$ 28.24	40%
Gallatin	GS Commercial	\$ 602.43	\$ 50.20	44%
Gallatin	Commercial Service	\$ 3,379.38	\$ 281.61	48%
Gallatin	Large Volume Service	\$ 91,110.66	\$ 7,592.55	50%
Warsaw/Lake	GS Residential	\$ 635.73	\$ 52.98	95%
Warsaw/Lake	GS Commercial	\$ 2,869.52	\$ 239.13	121%
Warsaw/Lake	Commercial Service	\$ 13,034.11	\$ 1,086.18	128%
Warsaw/Lake	Large Volume Service	\$ 82,792.25	\$ 6,899.35	128%
Rogersville/Branson	GS Residential	\$ 963.06	\$ 80.26	106%
Rogersville/Branson	GS Opt Residential	\$ 889.81	\$ 74.15	102%
Rogersville/Branson	GS Commercial	\$ 3,701.38	\$ 308.45	122%
Rogersville/Branson	GS Opt Commercial	\$ 1,586.13	\$ 132.18	103%
Rogersville/Branson	Commercial Service	\$ 18,854.22	\$ 1,571.19	131%
Rogersville/Branson	Large Volume Service	\$ 186,300.13	\$ 15,525.01	141%

Notes:

Based on a 12 month amortization period

Potential OFO penalties are not included

Carrying costs are not included

4. Would recovery of the weather event costs over a period of more than one year benefit customers and the utility?

Extending recovery over a period of years including appropriate carrying costs would help mitigate rate shock and hardships on customers without unduly burdening utilities. See table below for an example of how such an extension would impact the Gallatin area:

Gallatin - GS Residential

<u>Amortization Period</u>	<u>Carrying Costs Incl?</u>	<u>Estimated Annual Impact per Cust</u>	<u>Estimated Monthly Impact per Cust</u>	<u>Avg Percent Bill Increase</u>
1 Year	No	\$ 338.85	\$ 28.24	40%
5 Years	Yes	\$ 88.57	\$ 7.38	11%
10 Years	Yes	\$ 54.30	\$ 4.52	6%

Notes:

WACC of 9.64% used to calculate carrying costs

5. a. Did you communicate with your customers before or during the weather event?

Yes, SNGMO sent letters to customers who may be subject to OFO penalties and curtailments. Additionally, SNGMO sent messaging about gas usage conservation to all customers.

b. How and what was communicated to customers?

Please see **Appendix A**, which includes the customer communications and details (Winter Storm Communications Feb-2021).

c. Do you have any information on the number of customers that received your communications, e.g. the number of people who read e-mails sent to them?

Please refer to subpart b above.

6. Where you able to provide gas service to all your customers throughout the weather event?

Yes, SNGMO did not have to completely curtail any customers.

7. a. Are you aware of any customer outages during the weather event?

No.

b. If yes, explain the circumstances and when service was restored.

N/A

8. a. Did you curtail any interruptible customers during the weather event?

SNGMO ordered interruptible customers to reduce to heat load only but did not completely curtail these customers.

b. If yes, for each day curtailment was implemented, how many customers were affected and for how long?

Interruptible customers were restricted to heat load only from approximately 9:00 pm on February 14, 2021, until 2:00 pm on February 17, 2021, but due to supply,

customers were not able to start production again until 9:00 am on February 18, 2021.
This impacted approximately 17 customers on the Southern Star system.

9. a. Did you assess Operational Flow Orders penalties to any customers for their actions during the weather event?

SNGMO has not currently assessed any OFO penalties to customers.

b. If yes, what is your estimate of the total penalties to be billed?

N/A

c. If yes, how many customers will be billed penalties?

N/A

Dated this 26th day of March 2021.

Respectfully submitted,

By:

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