

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

JOINT APPLICATION OF BRANDY L. WREATH, DIRECTOR OF THE PUBLIC UTILITY DIVISION, AND ROBYN STRICKLAND, DIRECTOR OF THE OIL AND GAS CONSERVATION DIVISION, OKLAHOMA CORPORATION COMMISSION, FOR AN ORDER OF THE COMMISSION AUTHORIZING AN EMERGENCY INCREASE OF THE STATEWIDE PRORATION FORMULA FOR UNALLOCATED GAS WELLS IN RESPONSE TO THE EXISTING SEVERE WEATHER DISASTER THREATENING THE PUBLIC HEALTH, SAFETY AND PEACE

CAUSE NO. CD 202100238

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CORPORATION COMMISSION
OF OKLAHOMA



TESTIMONY OF

BRANDY L. WREATH

PUBLIC UTILITY DIVISION AND CONSUMERS SERVICES DIRECTOR

FEBRUARY 15, 2021

INTRODUCTION

1 **Q: Please state your name and your business address.**

2 **A:** My name is Brandy L. Wreath. My business address is the Jim Thorpe Office Building,
3 Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

4 **Q: By whom are you employed and in what capacity?**

5 **A:** I am the Director of the Public Utility Division and Consumer Services (“PUD”) at the
6 Oklahoma Corporation Commission.

7 **Q: Have you previously testified before the Oklahoma Corporation Commission**
8 **(“OCC” or “Commission”), and were your credentials accepted?**

9 **A:** Yes.

PURPOSE

10 **Q: What is the purpose of your testimony?**

11 **A:** The purpose of my testimony is to request an emergency increase or total removal of the
12 proration limit for production in the State of Oklahoma until such time as the emergency
13 situation has passed and Oklahoma's critical services have fully recovered.

14

BACKGROUND

15 **Q: Please describe the emergency situation that makes this request so critical.**

16 **A:** As stated in the application, Oklahoma is in the middle of a historical pandemic and a
17 historic arctic storm. Beginning in March, 2020, Governor J. Kevin Stitt issued numerous
18 executive orders declaring an emergency in all seventy-seven Oklahoma Counties caused
19 by the threat of COVID-19 to the people of the State.

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1 On February 12, 2021, Governor J. Kevin Stitt issued Executive Order 2021-06, declaring
2 a disaster emergency caused by severe winter weather in all seventy-seven Oklahoma
3 Counties, recognizing such weather is expected to cause damage to utilities, including
4 electric and gas systems within the State of Oklahoma causing undue hardship on the
5 citizens of this State.

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7 On February 13, 2021, Governor J. Kevin Stitt issued an Emergency Natural Gas
8 Curtailment to certain natural gas utility non-residential customers, effective beginning at
9 9a.m. February 14, 2021.

10
11 On February 14, 2021, the Southwest Power Pool (“SPP”), the regional transmission
12 organization and independent system operator whose territory includes Oklahoma, issued
13 a notice of an Energy Emergency Alert Level 1 to be effective beginning on February 15,
14 2021, due to restraints on the system to meet firm load obligations and the potential to be
15 unable to sustain its required contingency reserves.

16
17 Also on February 14, 2021, the SPP issued a statement addressing its efforts to prepare for
18 worsening conditions due to extreme cold—noting coordination with its members and
19 market participants to respond to high demand for electricity and inadequate supply of
20 natural gas.

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22 Finally, on February 15, 2021, the SPP issued a statement that the electric grid managed
23 by SPP is moving to the second tier of conservation efforts.

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Q: Please explain this conservation effort as requested by SPP.

A: The SPP is directing its member companies to issue public conservation appeals. SPP declared a period of conservative operations for the entire area, not just Oklahoma. As you are all aware, we are not alone in dealing with this unprecedented cold. This storm system is affecting the entire SPP footprint, as well as our neighbors in ERCOT all the way to the gulf.

This is a plea, similar to that issues by our state leadership, for everyone to do their part.

ISSUES BEING FACED BY OKLAHOMA AND NEIGHBORING UTILTITES

Q: What issues have the utilities faced due to the unprecedented winter storm that has hit the region?

A: The following issues, while not a complete listing, have already had impacts on Oklahoma's utilities and ratepayers:

- Shortages of natural gas commodity
- Reduced pressure and flow in natural gas transport systems due to low supply and freeze offs
- Production sites freezing off or unable to get commodity onto the transport system due to freeze off/blockage
- Significant increase to spot market prices for natural gas commodity
- Wind generation significantly reduced due to freezing conditions
- Natural gas generators experiencing supply issue
- SPP experiencing power shortages across the system.

1 **Q: What steps have been taken to address the concerns?**

2 **A:** There has been around the clock efforts to avoid outages since before the storm system hit.
3 Oklahoma, and neighboring utilities, enter into contracts to secure as much commodity as
4 possible prior to the need actually hitting the system. This is done to ensure as much
5 commodity as possible at the most reasonable rates possible. Producers have had personnel
6 in the field around the clock to try and keep production going. Pipeline workers have been
7 working non-stop to clear blockages in the lines and to keep gas flowing. Private and
8 public entities have worked to together to address numerous emergency situations around
9 the state. There has been continued coordination from the OCC, the Governor's office and
10 Cabinet Secretaries, the Office of the Attorney General, Legislators, municipals, producers,
11 trucking companies, and others around the clock.

12

13 **Q: Please discuss the supply shortage and significant increases in spot market**
14 **commodity prices.**

15 **A:** It is important to remember that natural gas is a market-based commodity. This includes a
16 spot market that is designed to provide as needed commodity. This market supplies gas to
17 all users of the commodity, as well as marketers and speculators. A shortage or tightening
18 of supply results in increased prices on this market as it is very susceptible to market
19 changes and or concerns, just like the stock market. However, the increases during this
20 storm have been of major concern as **prices have been reported to reach \$1,000 per mcf**
21 while the standard trading hubs have seen minimal comparative impacts.

22

23 **Q: Why is it important for the public to be aware, and assist, with this situation?**

1 **A:** Neither OCC, nor the utilities, have any control over these markets. We are experiencing
2 shortages in supply that have increased prices. Currently, Oklahoma statutes require
3 commodity costs that are passed through the utility bills to end users are not allowed to
4 have a markup. This is not an income stream for regulated utilities. These funds go dollar
5 for dollar to the entity that sold the commodity to the utility. Therefore, any usage that can
6 be reduced, or avoided, will reduce the commodity demand and hopefully restore pressure
7 to the system while allowing prices to reduce back to normal levels.

8

9 **Q: How will affect customers gas and or electric bills?**

10 **A:** These increased costs will be passed on to customers as part of the legally required pass
11 through. That means it will be a direct impact to customers. Natural gas commodity
12 amounts will increase on natural gas bills and the cost of electricity will increase on the
13 electric bills. This is not a rate increase. The utility collections for rates will be the same,
14 regardless of the price of the energy delivered. Again, the OCC, nor utilities, have control
15 over the end price of the commodity. Collectively, we control that through our demand on
16 the system. We must pull together to do our part to reduce the load as much as we can
17 safely.

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21 **Q: Are utilities able to secure all of the gas needed in advance?**

22 **A:** Normally not. As there is no certainty on how much natural gas, or electricity, will be
23 needed on any given day, utilities contract at different levels to meet different levels of

1 need based on the forecasts and historically available data. Unfortunately, this storm is
2 setting records all across the country and no historical data was in place through which to
3 forecast. Additionally, it is important to note that all utility systems are built to historical
4 peak needs with reserves built in. Typically, our neighbors in SPP are able to assist each
5 other when events occur as it is atypical for the entire footprint to be impacted at the same
6 time. This weather system is pushing past the partnerships and reserve limits.

7
8 **Q: What other steps have been taken?**

9 **A:** The SPP and Oklahoma utilities have called on larger customers to reduce load as much as
10 possible. These requests were made according to tariffs early in the storm. This is part of
11 the design of the system to reduce excess generation needed through taking customers
12 offline temporarily that are set up in advance to do so. These are tariffs, similar to a
13 contract, that companies sign up for in advance to have a lower cost of delivery during
14 normal times in exchange for being able to assist when system demand increases.

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19 **Q: What is the issue surrounding Wind Energy production?**

20 **A:** The wind generators have also experienced issues with being able to produce electricity
21 during the extreme cold. Wind typically provides a significant portion of the baseload
22 power in the state. Without wind producing on the system, other backup resources have

1 had to be activated and reducing the amount of generation available to cover actual
2 increased system peaks.

3

4 **Q: What do the applicant hope this action do to assist with the energy emergency?**

5 **A:** The applicants hope that this action will allow more production directly onto the Oklahoma
6 transmission and distribution systems for natural gas. The hope is that any additional
7 production will be able to assist in maintaining pressure and flow to end users and electric
8 generation.

9

10 **Q: Will this action be enough to shore up the utility systems?**

11 **A:** No. What is required is the collective action of all Oklahomans to make a difference in this
12 emergency. This is an all Oklahomans issue. We need a big shot of the Oklahoma Standard
13 and for everyone to come together to do their part. Turn down the thermostat. Put on an
14 extra layer of clothes. Avoid running those large appliances when at all possible. Turn off
15 extra lights. Turn off as many electrical devices as possible. Stay home. Do your part.

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19 **Q: What is the concern if these steps are not taken?**

20 **A:** There is a real possibility that there will be widespread outages or pressure issues on the
21 natural gas distribution systems. There is a real possibility of power outages across the SPP
22 footprint. This will be a significant danger to the health and welfare to anyone impacted.
23 This is not a weather system where our fellow Oklahomans need to be without heat.

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RECOMMENDATION

Q: What is your recommendation at this time?

A: My recommendation is that to best address the natural gas supply shortage, immediate action is needed to allow an increase in the current maximum permitted rates of production for unallocated gas wells is necessary. The dangerous cold, in addition to the ongoing pandemic response, make it necessary to take any steps possible to help improve heat and power to critical services.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge.

s/Brandy L. Wreath
Brandy L. Wreath

February 15, 2021
Oklahoma City, Oklahoma