

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PANHANDLE NATURAL)
GAS, INC. FOR APPROVAL OF SPECIAL)
REGULATORY TREATMENT FOR ABNORMAL)
GAS SUPPLY COSTS ARISING FROM)
EXTREME WINTER WEATHER AND WAIVER)
OF APPLICABLE PURCHASED GAS)
ADJUSTMENT TARIFFS AND RULES UNDER)
OAC 165:50 SPECIFYING METHODOLOGY FOR)
RECOVERY OF GAS SUPPLY COSTS)

CAUSE NO. PUD 202 100059



APPLICATION

Panhandle Natural Gas, Inc. (“PNG” or the “Company”) for its Application represents and states as follows:

I. PARTIES

PNG furnishes natural gas service to residential, commercial and industrial customers located in eighteen counties in rural Oklahoma. Its rates, services, practices, and charges in connection therewith are subject to general regulation by the Oklahoma Corporation Commission. PNG’s principal office is located at HC 3 Box 113, Beaver, OK 73932.

The names, addresses and telephone numbers of PNG’s counsel of record are stated below.

II. ALLEGATIONS OF FACT

1. On February 12, 2021, Governor Stitt declared a state-wide emergency due to “[e]xtreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing.” In his Declaration, the Governor stated, “There is hereby declared a disaster emergency caused by severe winter weather in *all 77*

Oklahoma counties that threatens the public’s peace, health, and safety.” (Emphasis in original).

2. Natural gas markets throughout the area are experiencing a great crisis due to the extreme cold temperatures and abnormal winter weather during the recent weather conditions. Demand for natural gas has escalated radically in area markets because of the recent weather crisis and prices have risen on the spot and daily index markets accordingly. Pricing for natural gas, which began the month at \$3 per MCF increased ten to one-hundred-fold, exceeding \$300 per MCF. This dramatic increase in spot prices significantly impacted the Purchased Gas costs for PNG. Due to the increase, demand on the Company’s local distribution system has escalated dramatically.

5. PNG furnishes natural gas service to residential and commercial customers located in rural counties of Oklahoma. PNG purchases gas from third party non-affiliated gas suppliers and distributes it to their customers. As a small regulated natural gas local distribution company (LDC), PNG does not have power to influence prices paid for natural gas. Rather, it uses prudent practices to purchase the natural gas at the best price available and then passes those cost through its PGA to the customer. PNG does not make a profit on the cost of the natural gas it only recovers its actual costs to procure the commodity and the transport it to its customers. The practices, policies, and judgment for gas procurement used by PNG were found to be fair, just, reasonable, and its gas expenses were prudently incurred for calendar year 2019 in Order Number 716576 issued on January 27, 2021. PNG used the same practices, policies

and judgement for gas procurement as found by the Commission to be prudent during this period of extremely cold weather during February 2021. Unless the certain regulatory measures referenced below are taken, the higher prices currently prevailing in the market, which PNG is obliged to pay, will be flowed through directly to PNG's customers on a monthly basis as provided by the Company's purchased gas adjustment tariff prescribed by the Commission's rules (OAC 165:50).

6. To avoid the expected adverse impact on customers that would otherwise occur, PNG will present in this Cause specific emergency modifications to existing regulatory requirements for pass-through of gas supply costs incurred during the current weather crisis. PNG proposes an alternative regulatory mechanism for extraordinary costs PNG has and will incur while ensuring that its customers receive utility service during and after this unprecedented 2021 winter weather event. These extraordinary costs should be deferred to a regulatory asset account rather than being passed on to customers under the normal PGA process. Costs to be thus deferred should include the extraordinary cost of procuring and delivering and administering natural gas supplies to jurisdictional utility customers during the emergency. These costs would include escalated natural gas prices and any other reasonable costs necessary to ensure stability and reliability of natural gas service during the present emergency and into the future. These deferred costs should also include actual carrying costs, as applicable. PNG will segregate all deferred costs by detailed cost category and shall contain enough detail for the Commission to perform a subsequent review for prudence and reasonableness. This deferral is for accounting purposes only.

7. Many of the facts supporting PNG's proposed modifications involve sensitive and confidential contractual obligations of its lender, market pricing, and evaluations of cost impacts to the Company's customers if no action is taken. Accordingly, PNG is filing an Emergency Application with this base Application in accordance with OAC 165:5-9-3 and a Motion for Protective Order and a Motion for Waiver, so that the Company will be able to maintain confidentiality of certain information it will need to share with the Commission and the Oklahoma Attorney General.

8. Furthermore, the relief PNG will propose in this Cause will require a waiver of the terms of the Company's existing tariff – particularly the purchased gas adjustment clause – along with a waiver of the provisions of the underlying rules found in OAC 165:50 and approval of modifications to its current tariff including its purchased gas adjustment clause provisions.

WHEREFORE, PNG requests that the Commission issue an order (1) prescribing modifications to its PGA necessary and establish a regulatory asset to accommodate the recovery of the increased natural gas costs described above intended to ensure that the Company's customers receive utility service during and after the current unprecedented 2021 winter weather event including reasonable commodity costs, other reasonable costs necessary to ensure stability and reliability of natural gas service; (2) waiving the provisions of the Company's tariffs that would otherwise direct that these costs be passed through to customers in the ordinary course; (3) waiving the provisions of OAC 165:50 to the extent inconsistent with the process proposed herein; (4) if applicable recovery of carrying costs incurred by the Company necessitated by

APPLICATION OF PNG, FOR APPROVAL OF SPECIAL REGULATORY TREATMENT FOR ABNORMAL GAS SUPPLY COSTS ARISING FROM EXTREME WINTER WEATHER

borrowing funds to pay the extraordinary gas costs and; (5) providing such other relief as the Commission may find to be fair, just and reasonable.

Respectfully submitted,

PANHANDLE NATURAL GAS, INC.

By: /s/ Ron Comingdeer

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**ATTORNEY FOR PANHANDLE NATURAL
GAS, INC.**

CERTIFICATE OF SERVICE

I hereby certify that on the 25th day of March, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following person by electronic mail to the following:

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Signed,

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