Greater Muskogee
Manufacturers Alliance

June 26, 2020

Commissioner Todd Hiett
Oklahoma Corporation Commission
P.O. Box 52000
Oklahoma City, Oklahoma 73152-2000

RE: Cause No. PUD 202000022

Dear Commissioner Hiett,

On behalf of the Greater Muskogee Manufacturers Alliance (GMMA) and our members, we respectfully request that you review a recent operational change made by Oklahoma Natural Gas (ONG). This change became effective June 1st and is expected to have a significant negative financial impact to many of our members.

Pursuant to Tariff 2000 (Exhibit A), on file with the Oklahoma Public Utilities Commission ("PUC"), ONG has recently advised third-party natural gas suppliers that it will no longer accept gas from third-party suppliers at the historical supply point for customers served on the R-900 system (Exhibit B). Instead, ONG will require third-party suppliers deliver natural gas for their downstream customers served on the R-900 system to an alternative supply point in a different market area.

This change will require large natural gas consumers served on the R-900 system to begin sourcing natural gas from the Enable Gas Transmission (EGT) pipeline in the eastern part of the state, instead of the historical practice of sourcing the gas from the ONEOK Gas Transportation (OGT) pipeline in the western portion of ONG's system.

ISSUE 1:
We are concerned with the lack of notice our members received regarding this substantial change. Rather than contacting customers directly, ONG chose only to notify natural gas suppliers of the pending change. Further, while the change was scheduled to be effective on April 1st, natural gas suppliers did not receive enough information from ONG to fully understand the impact of this change until well after the first of the year. As acknowledgement of this fact, ONG provided customers an extension until June 1st. With little notice and poor communication, our members were unable to incorporate this increase in cost into their annual budgets. This unexpected and unbudgeted increase comes at a time where our members are also experiencing the negative impacts of a historic global pandemic.

ISSUE 2:
The cost of natural gas on the EGT pipeline has historically been more expensive than on the OGT pipeline. For the calendar year 2019, the average monthly OGT price index was $1.86 per MMBtu. The average monthly EGT price index was $2.36 per MMBtu, resulting in a $0.50 per MMBtu price differential. For calendar year 2018, this differential was greater where the EGT index averaged $0.89 per MMBtu higher than the OGT index. Our members were extremely distressed when various natural gas marketers

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estimated the financial impact of this change to be a collective increase of approximately $2,000,000 annually in their natural gas costs.

While our members expect this price differential between the OGT and EGT indexes to balance out over the course of a few years, they are concerned with the additional costs they are now incurring to transport the commodity to the new delivery point, as required by ONG. Collectively, the transportation and sourcing costs alone are expected to result in an annual increase of approximately $1,500,000 to transport gas to the new delivery point.

ISSUE 3:
This unexpected change has disproportionately impacted ONG transport customers served on the R-900 pipeline. ONG's system is divided into five delivery zones and transport customers located on the R-900 line were the only ones impacted by this change.

Furthermore, it is our understanding that this change is being mandated to address supply constraints generated by an increase in gas consumption across ONG's system. Our members and other large legacy customers on the R-900 line have been sourcing natural gas long before learning of ONG's supply constraints. We feel this change has unfairly burdened our members served on the R-900 pipeline rather than the consumers that contributed to the restrictions on ONG's system.

GMMA membership consists of over 170 individual members, representing more than 60 area manufacturers, who together employ more than 3,500 workers (20% of Muskogee's workforce) with a combined average annual payroll of nearly $200,000,000. Our members have been long-time customers of ONG and strong supporters of the local community. Reliable and competitive energy pricing is a key factor that enable our members to remain competitive and viable.

If a suitable alternative is not adopted, our members will be forced to consider all available options for the future of their facilities in Muskogee. It is our member's desire to work with ONG toward a reasonable and equitable solution to mitigate the impact of pipeline constraints, while protecting our member's ability to budget responsibly and remain competitive within their industries. We simply request an operational change of this magnitude be done in an open and transparent manner.

We respectfully request that the Corporation Commission review ONG's recent decision and allow legacy customers to continue sourcing from OGT pipeline until these issues can be resolved.

Thank you for your consideration.

Sincerely,

Jeff O'Neal, President
Advantage Controls
GMMA Chairman

Eric Anderson, President
H.E. Anderson
GMMA Vice-Chairman

GMMA

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Yaffe Iron and Metal Co., Inc.