

KANSAS CORPORATION COMMISSION  
OFFICE OF PUBLIC AFFAIRS & CONSUMER PROTECTION

**FORMAL COMPLAINT**

**Note:** Formal Complaints filed with the KCC become a public record and may be posted on the KCC's website. Any information you provide in the complaint or other documents related to the complaint, including, but not limited to, your name, address, city, state, zip code, telephone number, email address, and the facts of your case may be available online for public viewing.

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

IN THE MATTER OF THE COMPLAINT AGAINST

Black Hills Energy  
(Respondent, name of utility company)

by

Oklahoma Energy Source, LLC  
(Complainant, your name)

For Commission  
use only

DOCKET NO.

18-BHCG-103-COM

Please provide complainant (your) contact information:

Full Name(s): Greg Hathaway  
Address: 8905 South Yale Ave, Suite 102, Tulsa, OK 74137  
Daytime Phone: 918.500.7962  
E-mail Address (optional): Greg.Hathaway@OKEnergySource.com

**FORMAL COMPLAINT**

Oklahoma Energy Source, LLC  
(Your name)

states that the above-named respondent is a public utility providing service in Kansas and is subject to the jurisdiction of the State Corporation Commission.

The facts and circumstances surrounding the complaint are set out in detail below:  
(Be specific and as brief as possible. If necessary, attach additional sheets.)

- See attached

(Continued on the other side)

**Formal Complaint** *continued*

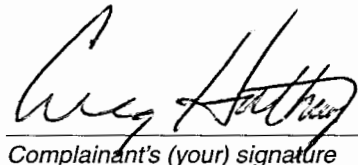
Complainant requests that the respondent utility be required to provide an answer to the complaint and requests the following action be ordered by the Commission. (*State action or result desired.*)

- See attached

and for such further order or orders as the Commission may deem necessary.

VERIFICATION: I do solemnly, sincerely, and truly declare and affirm that the statements made in this complaint form are true and accurate to the best of my knowledge, and I do this under the pains and penalties of perjury.

I understand that Formal Complaints filed with the KCC become a public record and may be posted on the KCC's website. Any information provided in the complaint or other documents related to the complaint, including, but not limited to, my name, address, city, state, zip code, telephone number, email address, and the facts of the case may be available online for public viewing.



Complainant's (your) signature

8/30/17

Date signed

## FILING INSTRUCTIONS

This form may be filed in person at the Kansas Corporation Commission's Office or by mail. All formal complaints, whether filed by mail or delivered in person, must be directed to:

Secretary to the Commission  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604

For more information about the formal complaint process please refer to the instructions provided with this form or visit the KCC website: <http://kcc.ks.gov/>, Consumer Assistance, Filing a Complaint. You may also contact our Consumer Assistance staff toll-free at 1-800-662-0027 or by e-mail at [public.affairs@kcc.ks.gov](mailto:public.affairs@kcc.ks.gov).

# Oklahoma Energy Source Facts around Complaint

## COMPANY BACKGROUND

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Independently owned and operated since 2005 Oklahoma Energy Source “OKES” has been providing integrated natural gas services from the City Gate to the Burner tip by securing wholesale natural gas on the Interstate and Intrastate pipelines. Greg Hathaway bought OKES in 2012 and has over 25 years of experience in providing natural gas services and solutions to customers. His experience at Vesta Energy, Duke Energy, Oklahoma Gas and Electric, Dominion Energy, Constellation New-Energy and ConAgra Trading. Since the acquisition the company has 25 percent growth in new customers and a high retention level of the existing customer base. Please visit [www.OkEnergySource.com](http://www.OkEnergySource.com) for more information.

## BLACK HILLS ENERGY CREDIT REQUIREMENTS

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OKES has discussed the credit requirements that Black Hills is requiring it third party shippers to provide to sell natural gas behind their city-gate. OKES has waited for three years or more to see some movement in the Black Hills requirements. We have been told over the last three years that they are considering a change, but to give them a chance to review the issue internally. The requirement that Black Hills has set forth is for OKES to provide security of \$250,000 to sell gas to less than five customers behind the Black Hills city-gate.

## INFORMAL COMPLAINT FILED BY OKES

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After OKES had several conversations with Black Hills and got no place we elected to reach out to the Kansas Corporation Commission “KCC” in July and file an informal complaint. Once the informal complaint was filed with Steve Boyd the KCC called Black Hills to confirm

that the facts that OKES presented (see below) were correct and accurate. After the KCC and Black Hills had their conversations about the informal complaint nothing was done by Black Hills even though the KCC agreed with accuracy of OKES facts. The KCC provided OKES with highlights of the conversation, but found that Black Hills was not going to take any actions. This lead OKES only one option which was to file this formal complaint.

## OKES FACTS

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- No place in the tariff that states credit requirement will be required to sell gas to end-use customers.
- The amount of collateral requested by Black Hills for years has been \$250,000 which over a 60 day period would require OKES to create daily risk to Black Hills of \$4,166.66 which is \$250,000/60 days. OKES explained to Black Hills that the target customer for our company is someone that burns \$500 to \$5,000 per month. This requirement was not acceptable unless it was written in the tariff and then we would still like to figure out what might be reasonable. The amount of risk associated with selling natural gas to a customer behind the city-gate is reduced to Black Hills if the customer buys the commodity from a third party. If the customer only pays Black Hills for the transportation and balancing fees behind the gate then Black Hills takes less risk.
- This credit requirement only allows the largest companies to provide third party sales behind Black Hills. It is a safe statement to conclude that if only the largest companies can compete for customers behind Black Hills then there will be less competition which does not benefit the customer.
- If there is less competition through a requirement that is not written in the tariff then this also benefits Black Hills since there are fewer companies that meet the credit requirement which they must manage.

- There is very limited credit risk associated with having a third party provider sell natural gas to customers behind any city-gate as long as the end-use customer still is responsible for their transportation fee to the utility.
- This eliminates OKES from several competitive bidding situations when customers have multiple locations behind all the behind many Black Hills, KGS and Atmos. OKES has a few customers who are behind Black Hills, but are now forced to buy more costly gas from the utility.

## COMPLAINT REQUESTS

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OKES requests that Black Hills immediately eliminate this collateral requirement in order for all third parties to be on a level playing field and for immediate savings to customers behind Black Hills.

OKES requests answer to the following questions:

- What companies currently are approved third parties?
- Why is this requirement not in the tariff?
- Why did they oppose both OKES and the KCC during the informal complaint process?
- How many customers do they have in Kansas that qualify to purchase third party gas?
- How many customers are currently transporting third party natural gas?
- Do they believe that having more competition is good for the customer?
- What is the calculation to come up with the \$250,000 requirement?
- Do all third-party providers have collateral posted?
  - o If not then what is the reasoning behind the request to OKES?
- Does Black Hills have an aggregated pool for third parties to balance?
- Do they agree that by selling less gas to customers they have reduced their risk of payment from the customer?



August 30, 2017

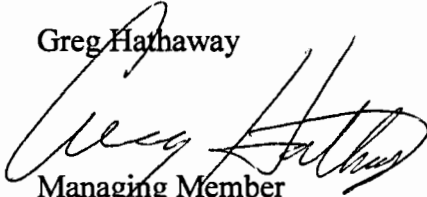
Kansas Corporation Commission  
Public Affairs and Consumer Protection Division  
Topeka, Kansas 66604.4027  
Attn: Acting Executive Secretary

Dear Acting Executive Secretary,

Oklahoma Energy Source, LLC "OKES" has attached a formal complaint around the collateral requirements of Black Hills Energy. This formal complaint could have been avoided if Black Hills would have provide either the KCC or OKES information during the informal complaint process.

Please feel free to contact me with questions any time after 10 am Central Standard at 918.500.7962.

Greg Hathaway



Managing Member  
Oklahoma Energy Source