Questar July 2008

USmag

US MAGNESIUM LLC
238 North 2200 West - Salt Lake City, UT 84116-2921
801/532-2043 - 800/262-9624 - FACSIMILE 801/534-1407

PUBLIC SERVICE COMMISSION
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July 14, 2008

RECEIVED DIVISION OF PUBLIC UTILITIES
08 JUL 21 A 9:48

Utah Division of Public Utilities
P.O. Box 146751
Salt Lake City, UT 84114-6751

RE : Formal Complaint by US Magnesium Against Questar Gas Company

1. Complainant name – US Magnesium LLC

2. Complainant's complete address - 238 North 2200 West
   Salt Lake City , Utah 84106

3. Utility account numbers - 567776000 and 7677760000

4. Phone number - 532- 2043

5. Daytime message phone number – Same

6. The name of the utility with which you have the complaint - Questar

7. What did the utility do which you (the Complainant) think is illegal, unjust, or improper? Include exact dates, times, locations and persons involved, as closely as you can.

   US Magnesium is a transportation customer of Questar Gas Company. US Magnesium has both firm transportation and non-firm transportation accounts. Questar Gas Company required US Magnesium LLC to have its gas delivered to a specific delivery point off of Kern River Pipeline and that requirement caused higher cost for natural gas deliveries to US Magnesium in excess of $87,000. The specific dates that the utility required such deliveries off of Kern River Pipeline were April 2, 2008 – April 11, 2008. US Magnesium found out through its supplier that no other customers of the supplier had this same demand. When asked for specific information concerning what the basis of the restriction was and what customers benefited from the imposition of restrictions on US Magnesium we were simply told that the utility could impose whatever restrictions on deliveries it so chooses to impose. US Magnesium has not been provided any information as to the cause of such restrictions or if any other customers were required to take action. US Magnesium does not believe that it should be singled out for such actions and wants to be compensated for this restriction.

Attached is a letter from Questar in regard to questions posed by US Magnesium concerning this event.

8. Why do you (the Complainant) think these activities are illegal, unjust or improper?

   US Magnesium was forced to take actions that caused over $87,000 in expense and that US Magnesium was discriminated against and penalized by Questar rather than spreading such restrictions first to all interruptible customers and then to firm transport and all other customers including sales customers.

9. What relief do you (the Complainant) request?

   We request that the Utility make US Magnesium whole for the $87,000 extra cost that was incurred as part of Questar's actions.

10. A statement saying whether you permit (or allow) the commission to give access to any private information contained in the complaint you file or other documents to the public or any person who requests access to them.

    We will permit any and all parties access to this information.

11. Signature of Complainant and the date signed.

By Lee R. Brown
Lee R. Brown, Vice president, US Magnesium LLC

Date 7/14/08

QUESTAR

Questar Gas Company
180 East 100 South
P.O. Box 45360
Salt Lake City, UT 84145-0360
Tel 801 324 5555

June 18, 2008

Mr. Roger Swenson
US Magnesium LLC
238 North 2200 West
Salt Lake City, UT 84116-2921

Dear Roger,

This letter is a response to your email inquiry regarding the reasons US Magnesium was required to switch their gas supplies to Kern River (Hunter) for approximately ten days, starting on April 1, 2008. During this time period, Questar Gas was involved in major system integrity and reinforcement projects that required line pressures to be reduced.

Questar Gas reserves the right, by tariff and contract, to designate the interconnect point(s) for its industrial transportation customers. Historically, Questar Gas has required other large industrial transportation customers to change their interconnect point(s) to accommodate a safe working environment where we can maintain our natural gas distribution system.

We appreciate your help and understanding with this matter.

Sincerely,

Bruce Rickenbach

Bruce Rickenbach

Questar Gas Company, at all times, complied with the provisions of its Tariff and all applicable statutes, rules and regulations and, accordingly should not be required to pay U.S. Magnesium's additional costs associated with the change in interconnect point.

Background

U.S. Magnesium is an industrial customer with two transportation contracts. The first is an Interruptible Transportation Service Agreement dated July 19, 2001 for the interruptible transportation of a maximum of 30,000 Dth per day (the IT Agreement). The second is an FT-2 Firm Transportation Service Agreement dated July 1, 2006 for the transportation of a maximum of 8,000 Dth per day (the FT-2 Agreement).

U.S. Magnesium's complaint stems from an event in April of this year, when Questar Gas required U.S. Magnesium to source its transportation volumes from an interconnect point off of the Kern River Pipeline, rather than U.S. Magnesium's preferred interconnect point.

Ordinarily, U.S. Magnesium was able to have its gas delivered to the Questar Gas system from Questar Pipeline Company's system at various points along the east side of the Wasatch Front. However, in early April, Questar Gas's system was under construction in a number of areas. Two of its major feeder lines were being rerouted and, simultaneously, were being tested to ensure their integrity was sound. In order to ensure the safety of those working on those lines, Questar Gas was forced to reduce the pressure to those lines. Additionally, the temperatures were lower than normal for that time of year, usage by firm sales service customers was high, and Questar Gas did not have access to stored natural gas from the Clay Basin Storage Facility (Clay Basin) because Clay Basin was undergoing maintenance and testing as well. These circumstances, together, created a situation where Questar Gas' system was becoming limited in its ability to provide service to its firm sales customers. In order to alleviate the pressure on its system, and to ensure a reliable flow of natural gas to its firm sales customers all along the Wasatch Front, Questar Gas exercised its right to redirect U.S. Magnesium's volumes to another interconnect point on the Questar Gas system.

In order to address the temporary operational issues on its system, Questar Gas asked U.S. Magnesium to deliver all of its volumes from an interconnect with the Kern River Pipeline, closer to U.S. Magnesium's facility. Utilizing the interconnect point off of the Kern River Pipeline eliminated the need to transport U.S. Magnesium's volumes across the Salt Lake Valley, through the main feeder lines serving Questar Gas' system. By designating another interconnect point, Questar Gas was able to avoid curtailing U.S. Magnesium's interruptible flows and was able to continue service to U.S. Magnesium. Questar Gas required all of U.S. Magnesium's volumes to be sourced from the Kern River interconnect from April 2^{nd} to April 6^{th}, 2008. From April 8^{th} through April 11^{th}, Questar Gas allowed U.S. Magnesium to source half of its supply from its preferred interconnect points along the Wasatch Front and required that the other half of its supply be sourced from the Kern River interconnect. On April 12^{th}, U.S. Magnesium was allowed to source all of its natural gas flows from its preferred interconnect points along the Wasatch Front.

Unfortunately, U.S. Magnesium apparently incurred additional charges because it was required, for a short period of time, to obtain gas supplies that would be transported on the Kern River Pipeline.

<u>Questar Gas' Legal Obligations</u>

The Questar Gas Company Tariff for Gas Service in the State of Utah, No. 400 (the Tariff) clearly gives Questar Gas the right to designate the interconnect points from which transportation volumes are delivered into its system. Section 5 of the Tariff, the section governing transportation service, provides

> This service applies to transportation of customer-acquired gas through the Company's distribution system *from an approved interconnect point between the Company's distribution system* and an upstream pipeline to a redlivery meter serving customer's premises.

Tariff at § 5.01 (emphasis added). Both the IT Agreement and the FT-2 Agreement provide that the transportation service is subject to the terms and conditions of the Tariff and the Tariff gives Questar Gas the right to approve or disapprove of interconnect points. Questar Gas endeavors to accommodate customer's requests for particular interconnect points but, in this case, could not do so without compromising its ability to serve its firm sales customers.

Additionally, the Tariff terms governing both firm and interruptible transportation customers provides additional authority for Questar Gas to designate alternative interconnect points.

The FT-2 Agreement

Section 5.06 of the Tariff governs FT-2 service and provides that,

> Volumes must be transported to Questar Gas' system under firm transportation capacity on upstream pipelines to *interconnect points approved by Questar Gas* or on alternative transportation to *approved interconnect points* if customer's upstream firm transportation is disrupted.

Tariff at § 5.06 (emphasis added). Questar Gas plainly has the right to approve or disapprove of an interconnect point. Although, typically, Questar Gas is able to allow U.S. Magnesium to deliver to the interconnect point of its choice, Questar Gas could not do so in this case without compromising its ability to continue to serve its firm service customers. As soon as Questar Gas was able, it allowed U.S. Magnesium to return to the interconnect point of its choice.

The IT Agreement

The majority of U.S. Magnesium's transportation volumes at issue here were *interruptible* volumes transported under the IT Agreement. Under the terms of the IT Agreement and the Tariff, these volumes were subject not only to redirection to other interconnect points, but to *curtailment*, meaning that Questar Gas could have declined transportation service for those volumes *altogether*. The IT Agreement is subject to the provisions of the Tariff, which provides that,

> Interruptible services *are available only to the extent that in the Company's judgment it has available capacity and/or gas supply to provide this service without impairing its ability to serve firm sales service customers. All interruptible services are subject to interruption.*

Tariff at § 3.01 (emphasis added). The Tariff further provides that

> Service under interruptible service rate schedules is subject to temporary periods of interruption upon notice by the Company, whenever the Company determines interruption is required to serve firm sales service customers. *Service may also be interrupted . . . for maintenance or replacement of facilities. Service will not be recommenced until the Company, at its discretion, can fulfill the demand of its firm service customers.*

Tariff at § 3.02 (emphasis added)

The majority of U.S. Magnesium's volumes at issue here were subject to interruption in circumstances like those here. Questar Gas had no obligation to continue interruptible service for U.S. Magnesium *at all* during the construction and maintenance activities. However, in an effort to minimize the adverse impact on U.S. Magnesium, Questar Gas offered an alternative interconnect point so that volumes could continue to flow to U.S. Magnesium's facilities.

Plainly, Questar Gas has the right (and perhaps the obligation) to take the very action it took here, in order to preserve service to its firm sales service customers. Questar Gas' actions were, at all times, in accord with its obligations under the applicable agreements, Tariff provisions, statutes, rules and regulations.

No Discriminatory Treatment

Throughout its history, Questar Gas has asked other customers similarly situated to U.S. Magnesium to change interconnect points. When operational issues have resulted in system constraints, Questar Gas has asked other customers to utilize alternate interconnect points and, on occasion, those other customers have incurred additional transportation costs as a result.

In this instance, there were no other similarly situated customers. U.S. Magnesium requires very high volumes and, because its facility is located so far from the Wasatch Front interconnect points, it takes substantial pressure for the natural gas to reach the U.S. Magnesium facility. Because U.S. Magnesium is the only transportation customer with such high volumes at such a great distance from its preferred interconnect point, the strain it places upon Questar Gas' system is substantially greater than those of other transportation customers. Even if Questar Gas had directed other customers to other interconnect points, it would have had little or no impact on Questar Gas' system, and would not have alleviated the system pressures. Because there were no other similarly situated customers in this instance, and because, historically, other similarly situated transportation customers have been subjected to similar treatment, Questar Gas' actions here were not discriminatory.

Remedy Not Available

Part, but not all, of the relief requested by U.S. Magnesium is available in this proceeding. U.S. Magnesium has asked for a determination that Questar Gas has violated the Tariff, rules, regulations and/or statutes that govern it. This determination falls squarely within the Utah Public Service Commission's (the Commission) jurisdiction. However, U.S. Magnesium also asks that the Commission order Questar Gas to pay the costs that U.S. Magnesium incurred in procuring its natural gas supplies that would be transported on the Kern River Pipeline, rather than on Questar Pipeline Company's system. This remedy is not available with the Commission. The Commission is vested with the authority to make determinations about whether or not Questar Gas violated provisions of its Tariff, or any other statutes, rules or regulations. As discussed at length above, Questar Gas' actions in this case were in accord with all such authority. To the extent that U.S. Magnesium seeks additional remedies here, such remedies are not available.

Conclusion

U.S. Magnesium's claims in this case are not supported by the applicable contract language, the Tariff or the applicable statutes, rules and regulations.

QUESTAR GAS COMPANY
FT-2 FIRM TRANSPORTATION SERVICE AGREEMENT

Customer Name:	U.S. Magnesium
Account Number:	7677760000
Service Address:	Rowley, Utah 84029
Mailing Address:	238 North 2200 West, Salt Lake City, UT 84116-2921
Service Initiation Date:	July 1, 2006

At the request of Customer, Questar Gas Company (Company) shall provide natural gas service at the above service address under the FT-2 Rate Schedule as set forth in Company's Natural Gas Tariff (Tariff) on file with the Public Service Commission of Utah (PSCU), and as may be amended.

Company and Customer agree as follows:

1. In consideration of providing FT-2 Service, Customer agrees to pay for such service in accordance with the Tariff, including a minimum yearly distribution non-gas charge, an administrative charge, a monthly basic service fee, local charges, and state sales tax.

2. Customer's gas supply shall be delivered to Company at designated interconnect point(s). Thermally-equivalent gas supply, adjusted for fuel reimbursement and balancing, shall be delivered to Customer's designated redelivery point(s).

3. The maximum daily contract limit is 8,000 Dth. Company shall only be obligated to transport the lesser of (a) the daily contract limit, (b) the Customer's gas supply nomination, or (c) the amount delivered to Company on Customer's behalf by the upstream pipeline.

4. Customer grants Company permission to obtain measurement information from Customer's upstream pipeline concerning the volumes that have been delivered to Company on Customer's behalf.

5. Service shall continue for one year from the above service initiation date. Written notice of termination may be given by either party 30 days prior to the end of the one year term. Absent termination by either party, this agreement continues on a month-to-month basis until cancelled with 30 days' advance written notice by either party. Any imbalances at termination will be treated as month-end imbalances and must be eliminated in accordance with the provisions of the Tariff.

6. This Agreement shall be governed by and construed in accordance with Utah law, the Tariff and any applicable rules and regulations of the PSCU. In the event it becomes necessary for either party to enforce its rights under this Agreement, with or without litigation, the prevailing party shall be entitled to recover all reasonable expenses, including attorney fees and costs, arising out of the enforcement of its rights.

7. Each person signing this Agreement warrants that the person has full legal capacity, power, and authority to execute this Agreement for and on behalf of the respective party and to bind such party.

U.S. MAGNESIUM

Lee R. Brown
Signature

Lee R. Brown
Name

Vice President
Title

6/14/06
Date

QUESTAR GAS COMPANY

Susan S. Davis
Susan S. Davis
Director, Marketing

June 30, 2006
Date

Account Representative: Bruce Rickenbach

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QUESTAR GAS COMPANY

Interruptible Transportation Service Agreement

Date: July 19, 2001

Customer: **Magnesium Corporation of America**

Service to be used at: **Rowley, Utah 84029**

1. Customer applies to Questar Gas Company for interruptible transportation service under Company's IT tariff, subject to and in accordance with the IT rate schedule and all applicable definitions, terms and conditions of Company's tariff, which is on file with and approved by the Public Service Commission of Utah (PSC), as revised from time to time.

2. In consideration of the acceptance of this agreement by Company and the rendering of interruptible transportation service, Customer agrees to pay for such service in accordance with the definitions, terms and conditions and at the applicable rates for such service now in effect or as they may lawfully be amended or changed from time to time. Customer assumes responsibility for any sales, use or other taxes that may arise from the acquisition of its own gas supplies.

3. Service shall commence on or about the 1st day of August 2001, and shall continue through the 31st day of July, 2002. Service will continue from month to month thereafter unless terminated by either party upon 90 days' written notice. Customer understands that any imbalances at termination of this agreement will be treated as month-end imbalances and must be eliminated by the first "imbalance trading" period following termination of this agreement.

4. Customer's gas supply shall be delivered to Company at interconnect point(s) and a thermally equivalent volume adjusted for fuel reimbursement and balancing will be delivered to Customer's redelivery point(s).

JRB 7/19/01 7/20/01

5. The maximum daily contract limit is ~~27,000~~ 30,000 Dth. The Company shall not be obligated to transport more than the daily contract limit or the Customer's daily nomination, whichever is less.

6. Customer grants Company permission to obtain measurement information from Customer's upstream pipeline concerning the volumes that have been delivered to Company on Customer's behalf.

7. Customer agrees to and shall permit Company, its agents or its employees to enter Customer's premises at all reasonable times for any and all purposes necessary or incident to the rendition of the services covered by this agreement.

8. Customer acknowledges that Company has provided Customer with PSC Tariff No. Utah 300, section V, VII, and VIII. Customer further acknowledges that it has read and is familiar with the provisions governing the remedies for imbalance, applicable administrative charges and fuel reimbursement.

9. This agreement suspersedes and replaces the previous IT agreement between the parties dated October 25, 1993.

10. Termination notice or other communications bearing upon the obligations of the parties shall be in writing and shall be sent by first class mail, postage prepaid, or personally delivered, as follows:

a. If directed to Customer:
Attn: Mr. Lee R. Brown
Vice President; Contracts, Human Resources, Public & Government Affairs
Magnesium Corporation of America
238 North 2200 West
Salt Lake City, UT 84116

b. If directed to Company:
Susan S, Davis
Supervisor, Account Management
Questar Gas Company
P.O. Box 45360
Salt Lake City, UT 84145-0360

A notice of mailing shall be effective when received, but in any event no later than three days following the date of mailing.

CUSTOMER

Lee R. Brown

Title: Vice President

Date: 7/19/01

QUESTAR GAS COMPANY

Charles E. Greenhawt

Title: Manager, Retail Operations, Questar Gas Co.

Date: 7/20/01