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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Changes and Make Tariff Modifications	Docket No. 13-057-05 PREFILED DIRECT TESTIMONY OF ROGER SWENSON
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US Magnesium LLC (“US Mag”) hereby submits the Prefiled Direct Testimony of Roger Swenson in this docket.

DATED this 30th day of October, 2013.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
Attorneys for US Mag

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 30th day of October, 2013, on the following:

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/s/ _____

BEFORE
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Direct Testimony of Roger Swenson

on behalf of

US Magnesium LLC

Docket No. 13-057-05

October 30, 2013

22 all ratepayers, and that it should therefore be rejected. I will propose reasonable
23 alternative procedures that avoid these unnecessary negative outcomes.

24 **Q. Why is the proposed testing process not necessary?**

25 A. Responsible industries already have strong incentives to maintain and test
26 alternative fuel backup procedures, and do not need undue interference from or
27 monitoring by the utility. In other words, testing of customer backup systems is
28 not a matter that a gas utility needs to thrust itself into. Industrial customers like
29 US Magnesium have invested significant amounts of money in alternative fuel
30 storage back-up systems that they monitor and test on a regular basis out of
31 concern for the protection of their own facilities.

32 US Magnesium's operations are at the end of a long natural gas line.
33 Back-up systems provide critical redundancy to ensure continued operations at
34 minimum levels in the event gas supply is interrupted for any reason. US
35 Magnesium has a strong financial incentive to ensure that its backup systems are
36 fully operational, not just during winter peak period curtailment circumstances,
37 but also in the event line maintenance or other circumstances cause a loss of or
38 degradation to gas supplies. Given these strong economic incentives to ensure
39 that backup fuel systems are available under all circumstances, there is no need
40 for Questar to impose artificial and burdensome testing requirements in addition.

41 Moreover, even less responsible industries or businesses that have not
42 invested heavily in backup fuel systems can be induced to interrupt when called

43 upon through reasonable cost-based economic consequences for failure to
44 interrupt, as discussed in more detail below.

45 **Q. Why would the proposed testing be burdensome?**

46 A. The testing program as I understand it would require interruption for a full day of
47 operation. The back-up fuel at US Magnesium is diesel fuel that is burned in
48 turbines to produce heat and power. US Magnesium's daily interruptible natural
49 gas supply needs in excess of its firm deliveries can be as much as 12,000 Dths.
50 At the price of diesel fuel to US Magnesium, the proposed test would cost US
51 Magnesium about \$250,000 in unnecessary costs. These types of costs should not
52 be thrust on market-sensitive customers without good reason.

53 **Q. If the costs of the alternative fuels are so high, couldn't US Magnesium just
54 shut operations down for the testing period and avoid higher priced fuel?**

55 A. Yes, but US Magnesium operates 24 hours per day and 7 days per week, so there
56 is a significant cost to shutting down production in the form of reduced product
57 output. For a continuous production operation like US Magnesium, those lost
58 revenues cannot be made up by adding another shift. The cost of keeping
59 employees onsite and equipment sitting idle will be lost forever. Moreover, lost
60 production from shutting down operations for US Magnesium would very likely
61 be even more costly than using alternative fuels.

62 **Q. Why would the testing program cause additional pollution?**

63 A. There are many types of potential back-up fuel systems, including propane, diesel
64 or heavy fuels. My experience is that most back-up systems for boilers use a
65 heavy fuel oil. Natural gas, as I am sure the Company will attest, is a very clean
66 fuel that most other fuels cannot equal in terms of emissions output from
67 combustion. By requiring those systems to burn dirtier fuels during interruption
68 tests, unnecessary emissions will be pushed into our sensitive air shed.

69 **Q. How will the testing program increase costs for all ratepayers?**

70 A. By interrupting gas supply and requiring the use of alternative fuels, the revenue
71 that would have otherwise been received by Questar during the interruptions will
72 be lost, damaging all ratepayers.

73 **Q. Can you suggest a better approach to insuring that interruptions can and
74 will happen when necessary?**

75 A. Yes. The consequences proposed by the Company for failure to interrupt when
76 called upon are sufficiently burdensome that interruptible customers will have a
77 strong incentive to ensure that back-up systems will be available and that
78 interruption will occur. The Company should implement a clear process (prior to
79 each interruption season) during which account representatives will contact
80 interruptible customers to explain the implications of failure to interrupt, and
81 require an officer to attest that the interruptible customer understands those

82 implications, including being billed the annual demand cost for peak day
83 volumes.

84 I recommend that language similar to the following be included in the
85 revised interruptible transportation tariff: “On an annual basis prior to the
86 beginning of each interruption season, the Company shall provide each
87 interruptible transportation customer with a document detailing the consequences
88 and projected costs to that customer if it fails without just cause to reduce or
89 discontinue its use of natural gas in accordance with this section, and requiring an
90 officer of such customer to acknowledge and agree to the consequences and costs
91 of failure to interrupt as specified in this section.”

92 There are other reasonable steps that could be taken to help ensure that
93 interruptions occur without unnecessary and burdensome costs to responsible
94 Utah businesses. For example, a customer that fails to curtail when called upon
95 could also be disqualified from being an interruptible customer for a period of
96 time, perhaps three years.

97 **Q. Why do you prefer this type of approach?**

98 A. Under my proposal, strong but reasonable economic incentives and penalties
99 would be clearly communicated to all interruptible customers to drive home the
100 point that they must be responsible for keeping their alternative fuel systems
101 functional or that they must have the capability to stop production when called
102 upon to curtail gas usage. The economic penalties should have some cost of
103 service basis, as they will if they are tied to the approved annual demand charge.

104 This approach will not burden responsible interruptible customers with
105 unnecessary costs.

106 **Q. Are there other reasons to look for a less costly mechanism to ensure that**
107 **interruptible customers can be interrupted without imposing unnecessary**
108 **cost burdens?**

109 A. Yes. Questar is proposing substantial rate increases to transportation customers in
110 this docket. Adding unnecessary costs on top of large rate increases will further
111 hurt Utah businesses at a time when the economy remains fragile. Even if cost of
112 service results require rate increases for transportation customers, we ask that no
113 extra or unnecessary burdens be piled on top of potentially substantial rate
114 increases.

115 Businesses must always look for ways to reduce and avoid extra costs. By
116 requiring interruptible customers to understand and attest to the substantial
117 economic consequences of failing to interrupt, their attention will be properly
118 focused and interruptions will be reasonably assured without imposing damaging
119 and unnecessary economic burdens on Utah businesses at a time when they
120 cannot afford them.

121 **Q. Does this conclude your direct testimony?**

122 A. Yes.