

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Formal)	
Complaint against Questar)	
Gas Company Regarding)	Docket 14-057-19
Nomination Procedures and)	
Practices for Transportation)	
Service Customers)	

DIRECT TESTIMONY OF

GAVIN MANGELSON

FOR THE

OFFICE OF CONSUMER SERVICES

August 28, 2014

1 **INTRODUCTION**

2 **Q. WHAT ARE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

3 A. My name is Gavin Mangelson. I am a Utility Analyst for the Office of
4 Consumer Services (Office). My business address is 160 East 300 South
5 Salt Lake City, Utah 84111.

6 **Q. PLEASE DESCRIBE YOUR EDUCATION AND QUALIFICATIONS.**

7 A. I have a B.A. in Economics from the University of Utah. Prior to being hired
8 by the Office I worked as a Financial Analyst for the Department of
9 Technology Services; where my duties involved the creation of rates that
10 were subject to approval by a government appointed commission. I have
11 completed a Utility Analyst training course from New Mexico State
12 University. Since I have been with the Office I have filed comments with the
13 Public Service Commission in over ten dockets and have analyzed issues
14 relating to Cost of Service, Demand-Side Management, and Integrated
15 Resource Planning. I also have participated in the Transportation Service
16 work group formed as a result of a partial settlement stipulation from the
17 Questar Gas Company's (Questar) last rate case, Docket 13-057-05. This
18 work group has met three times in 2014.

19 **Q. PLEASE DESCRIBE THIS DOCKET.**

20 A. On June 24, 2014 Summit Energy filed an Objection to Unilateral Change
21 in Procedure and Emergency Motion for Stay in Docket 13-057-05 alleging
22 that Questar had made a material change to the nominations procedure
23 without requesting authority for the change from the Public Service

24 Commission (Commission); and that said change is detrimental to current
25 Transportation Service customers (TS Customers). Other parties filed
26 Joinders to the objection and request for stay. The Commission held a
27 Scheduling Conference on June 30, 2014 and issued a Scheduling Order
28 July 1, 2014. Consistent with that order the following steps have taken
29 place:

- 30 • On July 10, 2014 the following parties filed a Complaint, Request for
31 Declaratory and Injunctive Relief, and Request for Agency Action
32 (Complaint): Utah Association of Energy Users, ATK Propulsion
33 Systems, American Pacific Corporation, Hexcel Corporation,
34 Intermountain Healthcare, May Foundry & Machine Company, US
35 Magnesium, LLC, CIMA ENERGY LTD, Summit Energy, LLC, Seminole
36 Energy Services, L.L.C., and Utility Cost Management Consultants. The
37 aforementioned complainants consist of TS Customers and natural gas
38 marketers (Marketers) who procure and nominate gas on behalf of the
39 TS Customers they represent.
- 40 • On August 7, 2014, the following parties filed direct testimony: Summit
41 Energy, Continuum Energy Services, Utility Cost Management
42 Consultants, Energy Strategies, and CIMA Energy. (The Office will
43 collectively reference these parties as the Complainants.) The Schedule
44 for the docket also indicated that all Non-Complainants will file testimony
45 on Aug 28, 2014. Therefore, the Office, Division of Public Utilities
46 (Division), and Questar will file testimony at the same time.

47 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

48 A. The purpose of my testimony is to present the Office's position on the
49 Complaint and Request for Agency Action. Specifically, my testimony will
50 address the request by Complainants for a tariff change that facilitates the
51 formal pooling of natural gas supplies at the Questar city gate and some of
52 the arguments provided to support that request.

53 **Q. PLEASE SUMMARIZE THE OFFICE'S POSITION REGARDING THE**
54 **COMPLAINT AND REQUEST FOR RELIEF.**

55 A. The Office does not support the position that Questar should be required to
56 implement a formal pooling tariff. However, the Office would not oppose
57 implementation of a formal pooling tariff as long as it is designed so as not
58 to shift costs or risks to other customers, specifically those represented by
59 the Office. The Office is also concerned that some arguments presented in
60 this docket may attempt to address issues that are outside the scope of the
61 Complaint. Any evidence or arguments that fall outside the scope of the
62 Complainants' request should be considered irrelevant in determining
63 possible agency action.

64

65 **ANALYSIS**

66 **Q. WHAT RELIEF HAVE THE COMPLAINANTS REQUESTED?**

67 A. The Complainants have requested that the Commission require the
68 Company to provide formal pooling arrangements including contracts and
69 tariff revisions. Paragraph No. 35 of the Complaint states that the proposed

70 pooling is being requested for TS Customers and suppliers; however, many
71 of the TS customers are smaller gas users and would only participate in a
72 pooling arrangement through services provided by a Marketer. In this
73 context the Complaint is therefore requesting Questar be required to adopt
74 a tariff allowing formal pools to be provided as a tool for natural gas
75 marketers.

76 **Q. HAVE THE COMPLAINANTS DEMONSTRATED THAT THEIR**
77 **REQUEST FOR A POOLING TARIFF PROVIDES BENEFITS TO**
78 **CUSTOMERS OTHER THAN THOSE IN THE TS CUSTOMER CLASS?**

79 A. No, Complainants have focused the majority of their arguments on the
80 benefits of a pooling arrangement for current and prospective TS
81 Customers and Marketers, as well as the negative consequences for those
82 customers and their agents if pooling services are not provided. Thus, at
83 this time, the Office's view is that a pooling tariff would not provide benefits
84 to any customers other than those in the TS class.

85 **Q. DOES THE OFFICE SPECIFICALLY SUPPORT OR OPPOSE THE**
86 **COMPLAINANTS' REQUEST?**

87 A. The Office does not support the idea that Questar should be required to
88 implement a pooling tariff. Rather, the Office recommends that the
89 Commission should evaluate whether the Complainants' request for a
90 pooling tariff is in the public interest and results in just and reasonable rates.

91 The Office has a history of remaining neutral regarding the rate
92 design applied to other customer classes, so long as costs are not shifted

93 to the customers we represent. The Office views the Complainants' request
94 for a pooling tariff as analogous to a rate design issue for another customer
95 class. Thus, if a pooling tariff can be implemented such that costs and risks
96 are not shifted to other customer classes, then the customers we represent
97 would be indifferent. In that case, the Office would continue its policy of
98 remaining neutral.

99 **Q. DOES THE COMPLAINANTS' REQUEST CAUSE HARM TO OTHER**
100 **CUSTOMER CLASSES?**

101 A. It isn't clear at this time. The Office notes that this is an unusual docket in
102 which the Company, the Division, and the Office are filing direct testimony
103 at the same time in response to Complainant testimony. However, it is likely
104 that many factual and policy issues will be disputed between the
105 Complainants and the Company, the parties that have the greatest
106 understanding of these topics and work daily to nominate and schedule gas
107 supplies for their customers. Thus, the Office is not in a position to fully
108 evaluate the issues until it has reviewed the Company's response. We
109 anticipate taking more specific positions in later phases of this case.

110 **Q. DOES THE OFFICE HAVE OTHER CONCERNS ABOUT THE**
111 **COMPLAINANTS' TESTIMONY?**

112 A. The Office is concerned that some of the testimony submitted by
113 complainants contains evidence or arguments that are irrelevant to the
114 specific Complaint being lodged and Relief being requested. The Office
115 asserts that this docket is not a forum for any and all complaints or

116 grievances for issues related to the TS class and such issues should be
117 disregarded by the Commission at this time.

118

119 **RESPONSE AND REBUTTAL TO COMPLAINANT TESTIMONY**

120 **Q. SOME OF THE COMPLAINANTS RAISE ISSUES THAT RELATE TO**
121 **COSTS AND BENEFITS THAT APPEAR TO ACCRUE SOLELY TO THE**
122 **MARKETERS OR AGENTS FOR TS CUSTOMERS. DO YOU HAVE ANY**
123 **COMMENTS ON THAT ISSUE?**

124 A. The Office's view is that certain concerns such as confidentiality¹ of
125 transactions and the increased administrative burden of the post July 1,
126 2014 requirements² are issues that relate primarily to the Marketers or
127 agents for the TS Customers. In our view, benefits that accrue to the
128 Marketers or agents for TS Customers should be given little weight in the
129 Commission's decision. The Commission's responsibilities are to set just
130 and reasonable rates for utility customers, not to establish terms and
131 conditions that benefit third parties.

132 **Q. DOES THE OFFICE BELIEVE THAT ANY OF THE COSTS AND**
133 **BENEFITS ACCRUE TO QUESTAR'S CUSTOMERS?**

134 A. The Office's view is that many of the issues raised relate to potential costs
135 and benefits that will only impact the TS class. For example, several of the

¹ See, McGarvey Direct lines 150-210 and Pannier Direct lines 58-61.

² See, for example, Fishman Direct lines 104-106 and Medura Direct lines 163-164.

136 complainants discussed the potential negative impact on liquidity that the
137 current requirements may have³. In our view, costs and benefits that accrue
138 to a single class of utility customers are appropriate for the Commission to
139 consider in determining whether the proposal is in the public interest.
140 However, in setting just and reasonable rates, the Commission must also
141 ensure that the proposal does not inappropriately shift costs or risks to other
142 customer classes. As I indicated earlier, it is not clear at this time whether
143 any costs or risks are shifted to the GS or other customer classes as a result
144 of the Complainants' request. The Office will be able to better assess these
145 issues after reviewing the Company's response and direct testimony.

146 **Q. DOES THE OFFICE HAVE A POSITION ON IMBALANCE PENALTIES**
147 **AS A CONSIDERATION OF THIS DOCKET?**

148 A. The Office is concerned about the current status of imbalance penalties. In
149 the direct testimony of Rick Pemberton, at lines 39-58, he argues that when
150 the gas usage of his customers is aggregated they are often able to
151 collectively fall within the tariff allowed +/- 5% tolerance of gas used versus
152 gas transported. However, when measured individually customers more
153 frequently fall outside of the +/- 5% tolerance on both a daily and monthly
154 basis. He further states that "smaller customers will never fall within the
155 tolerance level." The Direct Testimonies of Fishman lines 87-89, Medura
156 lines 166-168, Pannier lines 85-87 and McGarvey lines 437-440 all support

³ See, for examples, McGarvey Direct lines 211-221, Fishman Direct 60-64

157 the principle that gas pooling is a mechanism that is used to avoid or
158 mitigate imbalance penalties for TS Customers. Additionally, the
159 Complaint, and Complainant testimonies do not request changes to
160 imbalance penalties or that portion of the tariff. Instead they only explain
161 that TS Customers were previously insulated from paying those penalties.

162 The descriptions provided in the testimony of certain Complainants,
163 including but not limited to that outlined above, makes it appear that the
164 Marketers, and by extension the TS Customers, have only been balancing
165 supply and load in the aggregate (both in terms of aggregate sets of
166 customers and aggregate across time periods.) The Office is concerned
167 that imbalances may need to be measured on a less aggregate basis to
168 ensure that costs and risks aren't shifted to other customers, including the
169 rate payers we represent.

170 **Q. ARE IMBALANCE PENALTIES AND PRACTICES APPROPRIATE FOR**
171 **CONSIDERATION IN THIS DOCKET?**

172 A. Maybe. To the extent that imbalance charges and practices are unrelated
173 to pooling, then these issues are outside the scope of the current docket.
174 The Office encourages Questar to appropriately assess and address these
175 issues. However, to the extent that any imbalance issues would be caused
176 or exacerbated by a pooling tariff, then those issues must be addressed as
177 part of an evaluation of whether a pooling tariff is in the public interest and

178 whether it would result in just and reasonable rates, specifically whether
179 costs or risks are shifted to other customers.

180 **Q. DO THE COMPLAINANTS ALLEGE THAT OTHER SERVICE CLASSES**
181 **SHOULD ACCEPT THE SAME RISKS AS TS CUSTOMERS?**

182 A. Yes, see McGarvey Direct lines 243-256 and Pemberton Direct line 185.
183 The Complainants argue that Questar receives its gas in bulk and allocates
184 to its customers gas that is drawn from a single pool of gas. The
185 Complainants argue that this difference between the TS class and
186 Questar's general service classes results in an unfair burden for the TS
187 customers.

188 **Q. DO YOU AGREE WITH THE ARGUMENT THAT DIFFERENT CLASSES**
189 **SHOULD OPERATE UNDER THE SAME RISKS AND BURDENS?**

190 A. No, particularly in regards to customers that have more than one service
191 schedule available to them. Different service schedules have different
192 terms, conditions, risks and costs. For example, GS customers pay for a
193 service in which they may burn more or less gas on a given day and they
194 rely on Questar to manage all nominations and balancing; they pay the
195 costs associated with the terms of that service. In comparison, TS
196 Customers accept the terms and risks of a service which allows them to
197 procure gas supply from the market but in exchange requires a different
198 level of day to day management of the gas supply in comparison to usage.

199

200 **SUMMARY AND CONCLUSIONS**

201 **Q. PLEASE SUMMARIZE THE OFFICE'S POSITION AT THIS PHASE OF**
202 **THE PROCEEDING.**

203 A. At this time the Office does not have adequate information to fully assess
204 the issues raised by the Complainants in the docket. The Office does not
205 support the idea that the Company should be required to implement a
206 pooling tariff. However, at this time the Office will not oppose such a tariff
207 so long as it does not shift costs or risks to other customers, specifically the
208 customers represented by the Office.

209 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

210 A. Yes it does.