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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Formal Complaint Against Questar Gas Company Regarding Nomination Procedures and Practices for Transportation Service Customers	**Docket No. 14-057-19** **PREFILED REBUTTAL TESTIMONY OF MATTHEW MEDURA**

The Complainants in this docket hereby submit the Prefiled Rebuttal Testimony of Matthew Medura of CIMA Energy LTD.

DATED this 10th day of September 2014.

HATCH, JAMES & DODGE

/s/ _________________________
Gary A. Dodge

Attorneys for Complainants

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 10th day of September 2014 on the following:

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BEFORE

THE PUBLIC SERVICE COMMISSION OF UTAH

Rebuttal Testimony of Matthew Medura

On behalf of Complainants

Docket No. 14-057-19

September 10, 2014

INTRODUCTION

Q. Are you the same Matthew Medura who submitted direct testimony on behalf of the Complainants in this docket?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to direct testimony filed by Questar Gas Company ("Questar") witnesses Tina M. Faust and William F. Schwarzenbach. I will also briefly respond to the direct testimony of Division of Public Utilities witness Douglas Wheelwright and Office of Consumer Services witness Gavin Mangelson.

RESPONSE TO DIRECT TESTIMONY OF TINA FAUST

Q. What is your general reaction to Ms. Faust's direct testimony?

A. I disagree with Ms. Faust's claims that task force meetings were productive, that Questar remains willing to meet with interested parties, and that TS customers are better off as a result of Questar's unilateral, unapproved elimination of its long-standing pooling/aggregation service. CIMA works with and provides services to several dozen TS customers, all of whom now face the increased risks of specific supply cuts, imbalance and non-curtailment penalties and higher prices for natural gas supply from Questar's changes on July 1.

Q. On lines 36-41 of her testimony, Ms. Faust claims that task force meetings were productive, that "discussions are ongoing" and that Questar is willing to continue to meet with interested parties. How do you respond?

A. In my view, the task force meetings were not productive, the discussions were not pursued in good faith, and the discussions were terminated prematurely. Ms. Faust's professed willingness to continue meeting with interested parties seems moot with respect to this Complaint in light of the letter we received on June 18, 2014 identifying Questar Gas' "preferred solution" to the issues at hand, which did not include pooling. Continued good faith discussions regarding the implementation of pooling services would be most welcome by Complainants.

Q. Ms. Faust's testimony refers to the December 5, 2013 gas curtailments and their impacts on TS customers (lines 42-52). Do the events of that day support Questar's positions in this docket?

A. No. The upstream supply disruptions of December 5, 2013 are largely outside the relevant scope of the issues in this docket. Questar's own gas supplies at the affected processing plants were not timely delivered to the city gate that day, despite its highly trumpeted firm transportation assets. Supply disruptions happen at various times regardless of the nature of the upstream supply or transportation arrangements.

Also, Questar failed on December 5 to take simple actions that could have avoided customer impacts, such as timely notifying TS customers' agents of the supply disruptions (which Questar knew about hours before it communicated that knowledge to others). Had it timely notified the agents, they could have promptly secured alternative supplies. Rather, Questar simply issued sporadic notices to curtail usage directly to many of our TS customers before CIMA had even been notified by upstream pipelines of the supply disruptions, which occurred in the normal reporting process for Cycle 3. Had Questar provided timely communication to CIMA of the supply curtailment issues, we could have remedied the situation by bringing in alternate gas supplies in the next cycle, avoiding costly and disruptive usage curtailments to many of our customers. In fact, in the confusion of that day, CIMA sold off gas supply directed at its citygate customers into alternate markets while awaiting direction from Questar Gas as to the extent of the requested curtailment notices.

In any event, the specific upstream supply and transportation arrangements used by Questar and TS customer agents are not relevant to this docket. The issue is whether Questar should continue to provide a pooling/aggregation service that it has long provided. We are simply seeking an extension of a valuable utility service that Questar terminated abruptly and without Commission approval, imposing significant new costs and risks on Utah companies.

QGC claims it is important for TS customers to be aware of the upstream contract numbers being used by their Agents for delivering gas supply to the citygate. To the contrary, it makes no difference to them. The December 5, 2013 cuts were not related to transportation arrangements on Questar Pipeline. Rather, supply cuts impacted delivery volumes for all transporters regardless of transportation contract number or level of service, including QGC's own firm transportation contract. Questar Pipeline did not curtail transportation because of pipeline constraints but rather due to a supply shortfall. By learning the upstream transportation contract number the TS customer gains no knowledge of value. In contrast, pooling or an ability to aggregate supply from multiple sources at the citygate into a single contract for each Agent and all of the Agent's TS customers is of value, and can easily be provided by QGC by simply reinstating and formalizing the pooling aggregation privilege that was previously available.

Q. Ms. Faust claims that QGC has never offered a pooling service (lines 78, 139-140). Do you agree?

A. No. By allowing TS customers and their agents to nominate supplies to a single downstream "contract" agreed to by suppliers and Agents at the citygate, the service has been available for years. In practice, aggregated supplies delivered to Questar on Questar Pipeline acted as a pool, and were confirmed by Questar Gas from a single upstream entity in its system. Semantics aside, it is indisputable that Questar long offered, and then terminated, a valuable pooling/aggregation service for its TS customers

Q. Ms. Faust claims that Questar's refusal to offer pooling/aggregation is beneficial to TS customers because of increased transparency and because it allegedly facilitates better communications (lines 92-118). How do you respond?

A. I do not know to whom or for whom Ms. Faust is speaking in claiming that TS customers benefit from the loss of supply pooling/aggregation at the city gate. The unanimous view of the Agents and TS customers who are Complainants in this docket, as well as many TS customers for whom CIMA provides services, is that the loss of pooling/aggregation is highly detrimental to TS customers, with no measurable benefits.

TS customers contract with their agents for firm gas supply delivered to the city gate. The firmness of the supply is the obligation of the Agent, and negotiated contractual provisions protect TS customers if the agent fails to perform. CIMA has not heard from its TS customers a desire to identify specific upstream assets used to deliver contractually firm gas to the citygate. Upstream supply and transportation arrangements used by TS customers and their agents, as well as potential non-performance by agents, are red-herring issues that are outside the scope of this docket.

Questar's claims as to benefits of transparency are illusory. The alleged transparency benefits become moot when supply disruptions occur at a processing plant before entering a firm transport contract on the interstate pipeline. In fact, Questar's refusal to allow pooling/aggregation at its city gate introduces greater risk to TS customers because specific upstream supplies must now be tied to specific downstream contracts. Questar's own gas supply customers do not face this risk, as Questar aggregates all of its sales customers' usage so that the risk of supply curtailments (like December 5, 2013) is spread among all customers. That is exactly what the Complainants again seek for TS customers.

The claim that the current process facilitates better communication is similarly illusory. As described above, there was very little communication with TS customers or their agents on December 5, 2013, other than a brief notice via email or by phone to many TS customers to dramatically reduce usage within two hours. Moreover, the limited communications that did take place between Questar representatives and our TS customers confused the customers to the point that they reached out to us, as their agent, for explanations and answers about what was happening. The claim that this new process will facilitate better customer communications between Questar and the TS customers is false. Our customers tend to contact us for answers in any case. Timely communication between Questar *and the agents* could have avoided the problems of December 5, 2013, and could do so in the future. Also, a formal pooling of supplies and associated rankings of pro rata supply cuts would significantly mitigate the impacts on customers of supply disruptions.

Q. What is your response to Ms. Faust's claim that agents are not regulated and her suggestion that they should not be permitted to ask the Commission for resumption of pooling (lines 124-128)?

A. That claim is unreasonable. The agents operate within the terms of the approved and applicable tariffs of the upstream pipelines and local distribution companies. The agents and TS customers who are Complainants in this docket are seeking Commission assistance in preserving a valuable, long-term benefit previously provided to Utah businesses because the Commission has ultimate control over the services provided by Questar. Questar is a regulated utility because it wields monopoly power in supplying natural gas transportation services within Utah. Questar Pipeline is regulated for similar reasons as to interstate transportation. Others involved in the development, transportation and delivery of natural gas services are not regulated because they need not be -- they operate in a competitive environment and lack monopoly power. It is unfair to suggest that TS customers and their agents who are at the mercy of Questar's monopoly power should not be permitted to petition the Commission for relief from unreasonable and unlawful acts of the regulated utility.

Q. Ms. Faust suggests that a pooling/aggregation service would "undo" the "benefits" that TS customers have allegedly received and allow agents to "mask" information (lines 129-134). What is your response?

A. As discussed above, any such claimed benefits are illusory and of little or no value to Utah companies. Most TS Customers contract for contractually firm gas supplies delivered to the citygate, with financial remedies for non-performance. TS customers are not asking for information on specific upstream assets or contract numbers used in performing this service. Simply stated, there are no benefits to be undone.

Q. Ms. Faust also suggests that additional costs might be incurred with pooling (lines 135-138). Do you agree?

A. Pooling/aggregation services have been provided by Questar for years, and there is no reason to think that additional costs will be incurred if those services are reinstated. In any event, Questar has provided no evidence of any such additional costs. The Complainants are not asking for anything other than just and reasonable services at just and reasonable rates. Cost issues can be addressed, if and when appropriate, if Questar ever identifies additional or incremental costs for once again providing this valuable customer service.

RESPONSE TO DIRECT TESTIMONY OF WILLIAM SCHWARZENBACH

Q. What is your general reaction to Mr. Schwarzenbach's direct testimony?

A. Most of Mr. Schwarzenbach's testimony is largely irrelevant to the issues in this docket. The issue is whether Questar should be required to continue to allow supply pooling/aggregation at its citygate. Mr. Schwarzenbach's testimony diverts attention from this core issue by describing Questar Gas' approach to upstream supply and transportation assets and by suggesting that TS customers and their agents should follow its example.

The nature of upstream supply and transportation arrangements used by Questar and other marketers and suppliers is irrelevant to the issue of whether citygate supply aggregation is valuable to Utah companies and should be resumed. Moreover, the reason that so many Utah companies have sought out gas marketing companies with a variety of alternative gas supply and transportation assets is presumably because those companies have demonstrated an ability to deliver reliable gas supplies at reduced prices compared to the utility's service. The marketing companies are well aware of all upstream supply and transportation options, and use and maximize those aggressively in order to deliver benefits and lower costs to Utah companies and institutions. Marketing companies do not precisely duplicate Questar's gas supply and management arrangements for good reasons, including the fact that similar arrangements are not always available, and are expensive. The focus of this case should remain squarely on whether Questar should be permitted to capriciously eliminate a significant service within its electronic system that had long been made available to Utah companies and their Agents.

Q. On lines 59-63, Mr. Schwarzenbach describes how nominations used to occur. Is his description accurate?

A. His description is generally correct, although it should be noted that in practice the system allowed an informal pooling contract identified and agreed to by the Agent and Supplier that was confirmed when upstream supplies matched downstream nominations. It is the loss of this service or privilege that led Complainants to open this docket.

Q. Mr. Schwarzenbach claims that QGC is required to comply with Questar Pipeline's policies (lines 73-79)? Do you agree?

A. Generally, yes. However, it is not relevant to the relief requested in this docket that QGC must comply with Questar Pipeline's electronic confirmation requirements. As explained in detail in direct testimony of several witnesses, electronic confirmations with supply pooling coexist on a regular basis on pipelines and local distribution companies throughout the country. We support the use of electronic confirmations.

Q. Like Ms. Faust, Mr. Schwarzenbach claims that QGC does not nominate to a pool (lines 81-83). Do you agree?

A. No. Also like Ms. Faust, Mr. Schwarzenbach is using semantics to disguise reality. Questar Gas uses only one "Contract and Entity Nomination" (Contract 9888888) for its nomination to its entire pool of sales customers. Its upstream supply on QPC Contract 241 is effectively nominated to a pool behind its city gate. Location, liquidity, price and other factors affecting gas supply origin are irrelevant to this docket; the Complainants are simply seeking a similar right to nominate to a single contract on the Questar system that we can then distribute among our pools of customers.

Q. Mr. Schwarzenbach claims that pools are not needed and points to a "methodology" used by QGC for utilizing upstream transportation and supply options that would allegedly replicate the benefits of a supply pool (lines 83-89, 163-171). What do you think of his suggestion?

A. Mr. Schwarzenbach's testimony here appears to misunderstand the nature of Complaint. The gas marketers who supply natural gas services to Utah companies are experienced and sophisticated companies who are aware of, utilize and optimize all available upstream supply and transportation options and assets. It is simplistic and misleading to suggest that all Utah Companies should follow Questar's example and use the same "gold plated" supply and transportation assets used by Questar Gas. It is the agents' ability to optimize available assets to deliver reliable, firm supplies to Utah companies at reduced rates that cause hundreds of Utah companies to seek out their services.

Moreover, even if all TS customers and agents used the "methodology" advocated by Mr. Schwarzenbach, it would not eliminate the need to break out this aggregated supply to multiple downstream QGC contracts at the city gate delivery point (rather than something similar to 988888). The ability to pool to single contract at the citygate is the crux of the Complaint. Thus my confusion as to his suggested methodology.

In any event, as discussed above, the upstream methods of any given supplier in procuring supplies and facilitating delivery to the city gate, whether purchased at the city gate or upstream into Questar Pipeline or other pipelines, are irrelevant. The Complainants are seeking simply to preserve and improve upon an ability to nominate to a single pool contract for their diverse sources of supply, similar to Questar's use of Contract 9888888.

Also of note, upstream capacity is often not readily available at competitive rates, especially during peak winter months. This is simply not an option available to all at any given time. Questar Gas refuses to release firm upstream capacity with a citygate delivery point at anything other than full cost, while reserving the right to recall its capacity during peak winter usage periods. Indeed, Questar called back its firm capacity last winter, as it does most winters, making it less than a viable firm option.

Q. Mr. Schwarzenbach claims that adequate gas supplies are available at upstream receipt points and suggests that the QGC city gate is neither a necessary nor relevant gas supply point for TS customers (Lines 105-116). Do you agree?

A. Absolutely not. To the contrary, the QGC city gate is a very important and liquid wholesale market at which prices are derived from local trading hubs/published indexes based on path of delivery and alternative sale options. Questar Gas itself has listed its citygate delivery points for peaking supplies solicited in an annual RFP for gas supplies, which are priced off of the same published indexes.

Due to Questar's elimination of pooling/aggregation at the city gate, sellers are now dis-incentivized to continue selling at the city gate and may elect to bypass that now-complicated market for simpler alternative markets, particularly during critical winter months. Prices for supplies at the city gate will increase in light of the additional nomination burdens.

Q. Mr. Schwarzenbach dismisses the concern over reduction in supply liquidity at the city gate by claiming that suppliers will be happy to sell at upstream receipt points (lines 117-121). Do you agree?

A. No. Producers seek to mitigate transportation costs as much as possible and are not nearly as likely to sell supply at upstream receipt points, which would require them to forgo revenues and transportation cost mitigation built into current wholesale pricing at the city gate or alternate markets.

Q. On lines 130-139, Mr. Schwarzenbach describes potential "problems" that can result when suppliers are responsible for transportation. How do you respond?

A. Mr. Schwarzenbach attempts to invent problems that do not exist. Utah companies have consistently turned to gas marketers and suppliers because of the nature of the services they provide. As discussed above, gas supply delivered to Agents on a contractually firm basis is the obligation and at the risk of the supplier, with financial remedies for non-performance.

Q. Mr. Schwarzenbach alleges that Agents are trying to conceal the details of the risks faced by TS customers (lines 146-148). What is your response?

A. We strongly object to any suggestion that we are hiding risks from our clients. Our customers understand their risks, rights and remedies, and they are secure with the firm, reliable nature of our services. All firm supplies are secured by contractual damage provisions, which provide the protection desired by customers.

Q. In response to Complainants' confidentiality concerns, QGC argues that, by requiring the Agent to take ownership of gas, the necessary confidentiality will be provided and transparency will be increased (lines 187-197). What is your response?

A. A formal pooling contract would best also address the confidentiality issue. As indicated above, gas marketers are providing the services that their customers desire, and the specific nature of the upstream assets used are proprietary and irrelevant to his docket. Questar has neither the right nor the obligation to interfere with contractual arrangements between a TS customer and its Agent. Nor can QGC properly dictate the level of service required by Utah companies upstream of its citygate.

Moreover, TS customers stand to gain very little in the way of transparency even if they can identify an upstream contract used for their supplies, and it would certainly not eliminate the risk of a supply point or plant going through an unplanned emergency curtailment. A Customer may be able to discover a transportation contract number, but that would not always identify the type or level of service involved.

While Questar claims to be protecting TS customers from supply and delivery options they view as substandard, in fact the changes imposed by Questar on Utah companies will make the level of service provided to them less dependable and more susceptible to individual curtailment. It cannot reasonably be denied that Questar's elimination of supply aggregation/pooling at the city gate impacts TS customers negatively. It will make it more difficult for a TS customer to operate its business when its supply point is "allocated" or a Force Majeure event is claimed. Without a pool of supply generated from multiple supply points and delivery contracts, firm TS customers will suffer if the Agents cannot spread the impacts among customers and enforce delivery priorities.

If Questar were in fact looking out for the best interests of its Utah business customers, it would ask its customers if they are willing to accept increased knowledge of upstream supply and delivery contracts in exchange for the loss of their Agents' flexibility and ability to mitigate supply disruptions and imbalance penalties during periods of supply disruption or operational constraints. Had they done so, they would have found, as we have, that our customers seek reliable, reasonably priced natural gas supply and balancing services that we have traditionally been able to supply them, which ability has been damaged by Questar's actions.

Q. Mr. Schwarzenbach claims that you misunderstand the issue of imbalance charges, and argues that no tariff changes have been made to the imbalance provisions and imbalance trading is still permitted (lines 206-212). How do you respond?

A. It is Questar that has misunderstood the issue. By eliminating gas pooling/aggregation, individual customers are at greater risk of daily imbalances and potential daily imbalance penalties during OFO periods and usage curtailments than they were when pooling was allowed. With pooling, a customer was not always tied to a specific supply source and its agents and suppliers could use all available resources to replace lost supplies and to mitigate delivery disruptions and daily imbalance penalties. Without pooling, TS customers now face much greater risks of adverse consequences during periods of supply disruption or force majeure events when their specific supply sources are disrupted.

Q. Mr. Schwarzenbach dismisses any concerns over daily imbalance penalties by saying that no "additional" penalties will be imposed and that daily imbalances may be exchanged (lines 213-216). Does this resolve your concerns?

A. No. Again, Mr. Schwarzenbach has misunderstood or misstated our concerns. The imbalance provisions have not changed and new penalties have not been added. However, the elimination of pooling increases the risk to individual TS customers that daily imbalance penalties may be imposed on them during periods of curtailment of their specific supply sources.

Q. Mr. Schwarzenbach claims that pooling/aggregation services do not reduce the risk of gas supply disruptions for customers (lines 239-254). Is he correct?

A. Mr. Schwarzenbach is again using semantics to confuse the issue. Complainants do not claim that pools reduce the risk that a supply disruption will occur. However, pooling significantly reduces potential adverse impacts of supply disruptions when they do occur with respect to any given customer or group of customers whose supply source is affected. Spreading the consequences of supply cuts among many customers rather than a few is the essential point of pooling, as well as allowing us to readily nominate supplies in a timely manner from other supply points when needed.

Q. Mr. Schwarzenbach suggests that allowing smaller reductions to be spread over many TS customers creates problems for QGC (lines 255-258). What is your response?

A. I do not understand how Questar can claim that automatically spreading supply cuts among many rather than a few or a single customer is not in TS Customers' best interests. Operationally it is the same either way to Questar's system. But under the new regime it is precisely the "schools, hospitals, greenhouses, etc." that would singularly be required to curtail usage rather than perhaps having the cuts spread among many to mitigate any severe curtailments or significant individual penalties. Pro rata supply cuts to a pool of many customers is a standard industry practice in use on many pipelines and LDCs. In any event, these claimed problems hardly outweigh the severe negative consequences of Questar's actions on hundreds of important Utah companies, businesses and institutions that rely upon third party agents and suppliers for reliable, reasonably priced natural gas services.

Q. Mr. Schwarzenbach references the December 5, 2013 curtailments and claims that "many" customers do not understand the risks of their gas supply (lines 258-261). Do you agree?

A. I have heard this claim made, but never supported by any concrete evidence. I am confident that CIMA's clients understand their risks and their rights. As discussed above, TS Customers contract for firm supply to the city gate with financial remedies for non-performance. The specific method of delivery to the city gate is not relevant to them, or to the issues raised in this docket.

Contracting for upstream capacity is not the panacea that Questar makes it out to be, as evidenced by the events of December 5, 2013 when supply was cut at processing plants. In many instances delivered gas from third party suppliers with primary in-path transportation to the citygate is preferable to the secondary or "flexed firm" and recallable capacity that Questar Gas generally releases into the market.

We have discussed with Questar an effective means of ranking supply curtailments to end users within a pool. Questar acknowledged that this approach was workable. Moreover, it is standard practice among most other pipelines and LDCs of which we are aware. The issues of December 5, 2013, were not unique to TS customers; Questar also experienced supply cuts of its gas supplies. Questar was able to utilize its pooled/aggregated supplies and other upstream rights to minimize impacts on its sales customer base using the 9888888 contract. In this way Questar did not have to single out any individual customer to take the cut directly, as the Agents and TS customers would now have to do. Had there been timely communication from Questar to TS Customers and their Agents, similar upstream assets could have been deployed to compensate for the supply shortfalls for TS customers, which would have avoided the need for the curtailment notices that were sent hours later. For CIMA, total customer curtailments on that day greatly exceeded the affected gas supplies. Unnecessary adverse consequences to Utah companies could have been avoided and could be avoided in the future if Questar would consider and protect the best interests of its TS customers as it does with its sales customers.

Q. Like Ms. Faust, Mr. Schwarzenbach claims that pooling is not in the best interests of TS customers (lines 276-288). What is your view?

A. The evidence demonstrates to the contrary. Moreover, the suggestion that TS Customers' gas supplies are significantly riskier than that supplied by Questar Gas is inaccurate and self-serving. If anything, it was Questar's abrupt termination of pooling in the face of unanimous customer and agent support for continued pooling that has caused increased risks to TS Customers.

RESPONSE TO DOUGLAS WHEELWRIGHT

Q. What is your general reaction to Mr. Wheelwright's testimony?

A. I appreciate Mr. Wheelwright's testimony, including his recognition that other solutions may be available that could satisfy both Questar and its TS customers (lines 111-117), that elimination of pooling does not address most of the problems experienced on December 5, 2013 (lines 129-136), that pooling offers increased flexibility and efficiency for TS customers and their agents (lines 143-145, 165-168), that pooling on Questar Gas is more efficient and simple than other options (lines 175-182), and that Questar's elimination of pooling appears to have negatively impacted the city gate market and TS customer costs and risks (lines 210-211, 236-238, 287-294). I also applaud his call for additional exploration and collaboration on these issues (lines 332-333).

Q. On lines 53-78, Mr. Wheelwright lists a number of issues that he thought would/should be addressed in the task force collaborative process. Do you agree?

A. Yes. We were and are prepared to discuss all of these issues. Unfortunately, Questar steered the discussions to other issues, such as additional proposed charges for TS customers, which was not among the issues identified for discussion. QGC then abruptly terminated discussions after announcing that it would not pursue pooling any further, and that no further task force meetings were contemplated.

I also note that, while we were and are prepared to continue discussions on all of the issues identified by Mr. Wheelwright, they are largely outside the scope of the issues raised in our complaint.

Q. Mr. Wheelwright identifies as a primary concern of the Division the need for transparency and proper disclosure to end use customers (lines 83-86). How do you respond to this concern?

A. I understand the Division's concern for adequate transparency and disclosure to Utah companies. However, I invite the Division to consult with Utah TS customers on these issues, as opposed to unsupported claims made by Questar. We are confident the Division will learn that CIMA customers are adequately informed of their risks and contractual rights, and that they are happy with the services they receive. Also, we believe that facilitating increased and more timely communications from Questar to TS customers and their agents would be very beneficial.

Q. Mr. Wheelwright addresses confusion over monthly balancing requirements on lines 153-168. Do you agree that this issue has been confused?

A. Yes. Balancing requirements are not at issue in this docket. Marketers manage imbalances on an individual customer basis each month with imbalance trades among the agent's customers allowed to offset out of tolerance positions. The concern we have raised is over the increased risk to individual TS customers of daily imbalance penalties during OFO periods or penalties for failure to curtail as a result of the loss of flexibility previously available through supply pooling.

Q. Mr. Wheelwright also discusses some of the difficulties in accurately forecasting customer usage (lines 255-265). Do you have any comments?

A. We make nominations and adjustments as appropriate based on the most recent consumption information available from the Questline system, weather forecasts and customer input. However, our task is significantly complicated by the two-day lag in Questline usage data needed for Cycle 1 nominations, and by the fact that usage data that is provided is often incorrect and revised several days later. With all of the tools previously available to us, including supply pooling, we have been able to reasonably manage the difficulties in forecasting usage. Without pooling, the job has become more difficult. Also, as indicated above, more timely and direct communication of known disruptions and events would significantly improve our ability to respond and assist Questar in maintaining system balance.

Q. Mr. Wheelwright also discusses the potential for increased costs due to pooling (lines 295-307). Have you seen any evidence of such increased costs?

A. No. As indicated above, Questar offered pooling/aggregation for years and there is no reason to expect that resumed pooling will cause increased costs. There is certainly no evidence in this docket supporting any such additional costs. We are not suggesting that identified and demonstrated incremental costs be disregarded. We assume all utility services will be supplied at just and reasonable rates as determined in an appropriate docket.

Q. Mr. Wheelwright recognizes that QGC is not required to purchase and balance gas for each customer as it is now requiring of TS customers (lines 311-314), but is unclear as to whether or not the Agents are "taking advantage of the same opportunity" used by QGC to nominate to a single transportation contract (lines 314-318). Can you respond?

A. As explained above, the Agents employ all available upstream supply and transportation options to provide secure cost-effective services. The "methodology" touted by Questar is one approach, but certainly not the most economical approach. We do not think it is a satisfactory answer to our complaint for Questar to simply argue that gas should be supplied to all TS customers in the same manner that Questar uses for its gas customers, regardless of the cost.

Questar delivers its various gas supplies to a single downstream "contract," using what is effectively a customer pool at the city gate. We simply seek the continued ability to do the same thing.

RESPONSE TO GAVIN MANGELSON

Q. What is your general reaction to Mr. Mangelson's testimony?

A. I agree with Mr. Mangelson's primary point that a utility service for customers that the Office does not represent is of no concern to the Office or the customers it represents, so long as the service does not shift costs to his customers. We believe we have demonstrated that the requested pooling service is in the public interest in that it is beneficial to Utah companies and institutions, and that there are no adverse impacts on Questar or its other customers. Also, as indicated above, we agree that incremental costs of the requested services, if properly demonstrated in a proper forum, should be borne by those benefitting from the service. At this point, no such showing has been made or attempted, and we have no reason to believe that any incremental costs will be incurred given that Questar has in practice provided a pooling mechanism for years.

Q. Mr. Mangelson suggests that some of the Complainants' testimony addresses issues outside the proper scope of this proceeding (lines 113-118). However, he later testifies that the Office is concerned about the manner in which imbalances are measured (lines 150-171). Is this an issue for this docket?

A. No. His testimony relating to imbalance measurement is outside the scope of this docket. In any event, a formal pool will provide public benefits by mitigating imbalance penalties for single customers or groups of customers by spreading the risk of production cuts among the entire pool of customers via rankings.

Q. Does this conclude your rebuttal testimony?

A. Yes.