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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas Company to Make Tariff Modifications To Charge Transportation Customers for Supplier Non-Gas Services	Docket No. 14-057-31

PREFILED DIRECT TESTIMONY OF JEFF J. FISHMAN

The Utah Association of Energy Users, Nucor Steel-Utah, and CIMA ENERGY LTD hereby submit the Prefiled Direct Testimony of Jeff J. Fishman in this docket.

DATED this 5th day of May 2015.

HATCH, JAMES & DODGE

/s/ ________________________
Gary A. Dodge

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 5th day of May 2015 on the following:

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/s/______________________________

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Direct Testimony of

JEFF J. FISHMAN

On behalf of

Utah Association of Energy Users,

Nucor Steel-Utah, and

CIMA ENERGY LTD

Docket No. 14-057-31

May 5, 2015

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jeff Fishman. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND QUALIFICATIONS.

A. I have over thirty-five years of experience in the natural gas industry. I have worked for or managed companies involved in gas gathering and transportation and gas marketing services, and provided consulting services to gas producers and industrial and utility consumers. A more detailed description of my experience and qualifications is attached.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony addresses potential consequences of imbalance charges proposed by Questar Gas Company ("QGC") in its Transportation Service ("TS") Rate Schedule that I believe will negatively impact commercial and industrial natural gas consumers in Utah.

Q. FOR WHOM DO YOU WORK AND ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am the Director of Gas Services in the consulting firm of Energy Strategies, LLC. In my capacity as Director of Gas Services, I am responsible for managing certain natural gas-related needs of the firm's clients, including gas supply management, risk management services, and project development support. In this proceeding I am testifying on behalf of the Utah Association of Energy Users

(UAE), Nucor Steel-Utah ("Nucor"), and CIMA ENERGY LTD ("CIMA"). Nucor and certain members of UAE are commercial and industrial natural gas consumers. CIMA is a natural gas supplier to certain UAE members and other Utah TS customers of QGC.

Q. WHY ARE THE COMPANIES ON WHOSE BEHALF YOU ARE TESTIFYING INTERESTED IN THIS DOCKET?

A. Many Utah companies contract with QGC for natural gas delivery services under the TS Rate Schedule. For many commercial and industrial natural gas consumers, acquiring and managing natural gas supplies independent of the local distribution company can offer a greater degree of control over critical energy costs.

Q. WHAT IS THE PROPOSED NEW CHARGE?

A. QGC proposes to create a new supplier non-gas reimbursement charge related to daily imbalances to be included in the TS Rate Schedule. This proposal will require transportation customers to balance natural gas supply nominations and consumption within a 5% tolerance level for each individual customer meter on a daily basis, or face an additional cost for any volumes outside of that limited tolerance level.

Q. WHY IS THIS NEW BALANCING REQUIREMENT OF CONCERN?

A. A fundamental consequence of the proposal is to place the obligation of monitoring natural gas usage and adjusting supply nominations directly on the transportation customer. This disrupts well established and efficient business practices where the transportation customer's supplier is responsible for managing nominations and imbalances. In addition, the proposed Tariff change requires each transportation customer to reconcile nominations and consumption on a daily basis, whereas the current Tariff requires imbalances to be reconciled on a monthly basis and includes procedures to mitigate the costs related to monthly imbalances. More importantly, QGC does not provide timely information for transportation customers and their suppliers to effectively manage this new operating requirement. This circumstance is of vital concern to the commercial and industrial consumers paying for transportation service and undertaking the effort to reduce their energy costs in a competitive business environment.

Q. **WHY IS QGC PROPOSING THIS IMBALANCE CHARGE?**

A. According to PSCU Docket No. 14-057-31, QGC Exhibit 1.0, Direct Testimony of Kelly B. Mendenhall, dated December 18, 2014, Pg 1, lines 23-24, "...the Company has proposed a new rate design to give customers an incentive to more closely match their nominations to their usage," and Pg 3, line 56, "...we believe this proposed rate change will encourage better nomination practices."

Q. DO YOU AGREE THAT THE PROPOSED IMBALANCE CHARGE WILL RESULT IN "BETTER NOMINATION PRACTICES"?

A. Although the avoidance of additional costs will certainly be an objective for the transportation customers and their suppliers, QGC's proposal does not provide the tools for success in this objective. As such, there can be no real expectation that this proposed imbalance charge can cause many transportation customers to meaningfully reduce imbalances.

Q. WHY DO YOU BELIEVE THAT QGC'S STATED OBJECTIVE MAY NOT BE ACHIEVABLE?

A. The natural gas metering and information systems operated by QGC do not provide the transportation customers with timely data that would permit them to adjust nominations and mitigate daily imbalances. Transportation customers and suppliers cannot be expected to operate within a 5% daily tolerance without meaningful real-time data.

Q. IS DAILY BALANCING NECESSARY TO OPERATE THE QGC SYSTEM?

A. No. QGC has not suggested that daily balancing is actually needed on most days for the effective operation of the natural gas delivery system. Under the current Tariff, when there is an operational need to restrict deliveries of gas to transportation customers to more closely match nominations, it is managed by the operating restrictions and related penalties imposed by a Balancing Restriction.

Q. WHAT IS A BALANCING RESTRICTION?

A. A Balancing Restriction is implemented to limit the daily imbalances on the QGC system when the operating conditions dictate the need for such restrictions. A Balancing Restriction notice may be issued by QGC when overall system demand is expected to be unusual, when there are mechanical issues affecting deliveries, or if system testing is required.

Q. ARE BALANCING RESTRICTIONS ROUTINE?

A. No. The occurrence of a Balancing Restriction is not routine and is preceded by a notice from QGC to transportation customers and their suppliers.

Q. HOW DOES QGC IMPLEMENT BALANCING RESTRICTIONS?

A. QGC informs transportation customers and their suppliers via email that a Balancing Restriction will be initiated with a start and end date. For example, a notice was sent on Thursday, February 12, 2015 at 8:00 AM from Brent Bakker, Questar Gas Company Gas Acquisition Representative, citing Questar Gas Tariff Section 5.09, informing transportation customers of a Balancing Restriction from February 14 to February 17, 2015 based on abnormal weather forecasts and requiring supply and usage limits within a 5% tolerance band.

Q. DID THE BALANCING RESTRICTION NOTICE CONTAIN OTHER INFORMATION?

A. Yes. The notice also provided for imbalance management according to the following instructions: "After aggregation of imbalances at an agent level, and after the allowed trading period, penalties as outlined in the Utah and Wyoming Tariffs will be assessed for those imbalances remaining outside of the balancing tolerances outlined above."

Q. WHAT ARE THE CURRENT BALANCING REQUIREMENTS PLACED ON THE TRANSPORTATION CUSTOMER?

A. QGC may impose a daily Balancing Restriction and require transportation customers to limit natural gas supplies delivered to the City Gate to not exceed usage by more than a 5% tolerance and/or limit usage to not exceed supplies by more than a 5% tolerance. Unless a Balancing Restriction is in place, balancing within a 5% tolerance on an aggregated monthly basis is required of transportation customers by QGC to meet Tariff requirements and avoid penalties.

Q. IS THERE A MECHANISM FOR THE TRANSPORTATION CUSTOMERS TO MITIGATE MONTHLY IMBALANCE PENALTIES?

A. Yes. According to the Tariff Section 5, "Customers or nominating parties may exchange or aggregate imbalances in order to avoid or mitigate penalties."

Q. HOW DOES THE IMBALANCE EXCHANGE FUNCTION OPERATE?

A. According to the Tariff Section 5, "The Company shall allow a + 5% monthly imbalance tolerance window. The monthly imbalance tolerance window will be calculated by multiplying the sum of the volumes received at an interconnect point by the Company on a customer's behalf by + 5%. To remedy imbalances outside the + 5% monthly imbalancing tolerance window, the Company will permit customers to trade imbalances with other customers. Customers shall have the ability after gas day one of the following month to trade imbalances with other customers to reduce or eliminate imbalances. After the closing of the previous month, an additional 15-day period will be allowed for customers to bring any remaining imbalance within the + 5% tolerance window through nomination or imbalance trading."

Q. IS THIS AN EFFECTIVE TOOL TO MANAGE IMBALANCES?

A. Yes. Monthly trading of offset imbalances is routinely used by suppliers to mitigate imbalances and related charges under the current Tariff guidelines.

Q. CAN THIS BE AN EFFECTIVE TOOL TO MANAGE DAILY IMBALANCES?

A. Yes, but only if actual usage data is provided by QGC and if transportation customers and their suppliers are allowed a reasonable period of time to trade or offset daily imbalances.

Q. HOW DOES A BALANCING RESTRICTION UNDER THE CURRENT TARIFF AFFECT THE TRANSPORTATION CUSTOMERS' OPERATIONS?

A. The occurrence of a Balancing Restriction is not routine and is preceded by a notice from QGC to transportation customers and their suppliers with time to review and adjust nominations if there is a need to do so. This is not a normal mode under which transportation customers must operate. During these atypical circumstances, transportation customers must assign personnel resources to re-evaluate and monitor specific daily operating conditions during the restriction period, how they may affect natural gas consumption, and communicate with their suppliers to discuss nomination or operating adjustments accordingly.

Q. HOW DO TRANSPORTATION CUSTOMERS CURRENTLY MANAGE ROUTINE NOMINATIONS AND BALANCING?

A. Under the current natural gas transportation service operating requirements, the obligations of the typical transportation customer of which I am familiar are limited to informing their supplier of expected monthly natural gas usage and any unexpected deviations from that usage as soon as it is known. It is the supplier's obligation to manage any changes in nominations and deliveries and subsequent balancing activities.

Q. HOW IS A TRANSPORTATION CUSTOMER'S GAS USAGE DETERMINED?

A. Transportation customers are obligated to pay QGC for the purchase and installation of special metering equipment specified by QGC. This typically requires the installation of a separate electronic connection, usually implemented with the installation of a dedicated phone line for telemetering information to QGC.

Q. HOW WILL THE IMPOSITION OF A NEW DAILY BALANCING REQUIREMENT AFFECT THE TRANSPORTATION CUSTOMERS' OPERATIONS?

A. Transportation customers have businesses and facilities to operate. Daily balancing will require the dedication of personnel to an additional set of operating requirements that are not routinely performed by transportation customers and for which they do not have the data collection systems. Furthermore, the information required to balance nominations and consumption within a 5% tolerance level on a daily basis is not available from the system specified and operated by QGC. The transportation customer does not have the expertise or capacity and should not be expected to manage this operation without metering data that is collected by QGC and made available to the transportation customers and their supplier.

Q. DOES QGC RECOGNIZE THAT THE DATA CURRENTLY PROVIDED IS NOT SUFFICIENT TO MONITOR USAGE AND ADJUST NOMINATIONS TO MEET A DAILY BALANCING REQUIREMENT?

A. Yes. In the response to UAE DR 2.05, QGC stated, "...the daily usage imbalance for the transportation customers is not available on a real time basis…."

Q. WHAT DOES QGC RECOMMEND TO ALLOW TRANSPORTATION CUSTOMERS TO OPERATE WITHIN THE DAILY NOMINATING RESTRICTIONS?

A. In an email sent to transportation customers from Susan Davis, Questar Gas Director Account & Community Relations, on February 4, 2015, introducing the Proposed Transportation Imbalance Charge, the charge is explained as follows: "Customers taking service on rate schedules FT-1, MT and TS will be assessed a charge for daily imbalances that are outside of a 5% imbalance tolerance. "Daily imbalance" is defined as the difference between the customer's nominated volumes, less fuel, and the actual usage on any given day."

The email includes the following information suggested as a way to "minimize these charges": "The best way to minimize these charges is to monitor your usage and communicate with your agent when you expect changes in usage. Monitoring equipment is available through outside vendors to help you monitor your gas usage on a real-time basis."

Q. **WHAT DO YOU RECOMMEND IF DAILY BALANCING IS REQUIRED?**

A. Transportation customer suppliers should be allowed to net imbalances among their customers and also between suppliers before imbalances are assessed any additional costs. This is what happens now to mitigate monthly imbalances, as provided for in the QGC transportation service Tariffs. If QGC needs transportation customers to now manage imbalances on a daily basis, heretofore not required unless dictated by unusual operating conditions, it is incumbent upon QGC to provide the data from its metering to facilitate such operations. If the data to accomplish this task cannot be provided in a timely manner by QGC, the operator of the measurement system, an appropriate period of time to settle daily imbalances must be established based on when QGC can make necessary data available.

QGC requires transportation service customers to pay for the installation of specific metering equipment and pay an administrative fee for the service. The proposal under this docket would assign additional costs to transportation customers. To the extent it is determined that such an assignment is appropriate, it is also appropriate to provide the paying customer the tools to mitigate these additional costs. QGC controls and is being paid to manage this information.

The tools necessary to implement the daily balancing requirement may be jointly developed under the direction of QGC. After all, they are the industry experts. It is premature to assign the transportation customers the responsibility of meeting the QGC objective of establishing equipment, systems, and operations to effectively acquire the data to manage imbalances within the suggested daily tolerances.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Education

- *B.S. Chemical Engineering, Carnegie-Mellon University*
- *B.S. Engineering and Public Affairs, Carnegie-Mellon University*

Expertise

- *Development and implementation of natural gas supply and market strategies*
- *Contract development and negotiation for natural gas related transactions*
- *Energy business valuation, M&A support*

Recent Selected Projects

- *Consultant to energy industry clients, including natural gas producers, electric and gas utilities, and industrial end-users*
- *Developed comprehensive Gas Price Risk Management Service for industrial, municipal, and utility gas consumers*
- *Represented natural gas industry intervenors providing expert witness testimony in PUC docket addressing utility Emissions Reductions Plan*

Director, Gas Services

Jeff Fishman joined Energy Strategies in 2009 as the Director of our Natural Gas practice area. With over 35 years of experience in natural gas services and facilities, his work at Energy Strategies is focused on client natural gas supply and market strategies and implementation.

Mr. Fishman currently manages the natural gas supply requirements of a consortium of industrial and municipal gas consumers. He also directs the Energy Strategies Gas Price Risk Management Service for industrial, municipal, and utility gas consumers.

Prior to joining Energy Strategies, Mr. Fishman co-founded and directed Peak Energy, Inc., a consulting firm providing energy market and corporate development activities to a range of energy industry clients. Prior to establishing Peak, he founded and led the executive management team of Grand Valley Gas Company, an active participant in the creation and development of the deregulated natural gas market in North America.

Grand Valley, a publicly owned and traded company, grew from a start-up operation to one of the premier gas industry service companies operating in western North America. Mr. Fishman was actively involved in the natural gas marketplace and responsible for company management, growth, and profitability. He orchestrated and facilitated a series of corporate combinations within the natural gas services and facilities business which ultimately resulted in the western regional operations of Duke Energy.

Mr. Fishman started his energy career at Northwest Pipeline Corporation, where he directed the development and implementation of an unregulated natural gas gathering and processing business. His natural gas pipeline experience started with a focus on non-traditional gas supply projects management, including the development phases of a $500 million gas treatment facility.

Prior to his affiliation with the energy industry Mr. Fishman performed project engineering and cost and scheduling functions in chemicals and metals processing and power generation, employed by both industry and contractor companies.