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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** **DIRECT TESTIMONY OF MATTHEW MEDURA OF CIMA ENERGY LTD**

CIMA ENERGY LTD hereby submits the Prefiled Direct Testimony of Matthew Medura in this docket.

DATED this 5th day of May, 2015.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
Attorneys for CIMA ENERGY LTD

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

MATTHEW MEDURA

On behalf of

CIMA ENERGY LTD

Docket No. 14-057-31

May 5, 2015

INTRODUCTION

Q. Please state your name and business address.

A. My name is Matthew Medura. My business address is 299 South Main Street, Suite 1300, Salt Lake City, UT 84111.

Q. By whom are you employed and what is your function?

A. I am employed by CIMA ENERGY LTD ("CIMA") and I am a Senior Marketing Representative, Western Division.

Q. What are you qualifications for testifying in this proceeding?

A. I have been employed in various capacities regarding the purchase and sale of physical wholesale and retail natural gas in the Western U.S. for the last 20 years. I have purchased on behalf of, and sold gas to, several dozen Utah TS customers who purchase transportation services from the Questar Gas distribution system since 1995. A copy of my CV or resume is attached.

PURPOSE AND RECOMMENDATIONS

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain my company's concerns with and objections to Questar Gas' proposed new supplier-non-gas charges for the transportation class. The proposed restrictions and rates are overly restrictive and unreasonable and do not reflect actual costs incurred by Questar Gas with respect to both the transportation and sales customer classes in operating its system on a daily basis.

Q. Please explain the nature of your concerns and objections to the proposed rates.

A. The stated objectives of the proposed rates are to incentivize TS customers to better align nominations with gas usage and to recover costs from TS customers for the purported use of upstream services currently born only by sales customers when there is a mismatch between the nomination and usage of TS customers. I have the following four chief concerns with the proposed rate: 1) The rate was estimated based on a random test period of TS customer activity for one year apart from the system as a whole; 2) Some of the components of the rate calculation are fictional or erroneous or may not actually be incurred; 3) the +/- 5% tolerance band is overly restrictive except during a critical day/OFO situation, and is not used by any other distribution companies in the Western U.S. where I currently do business; and 4) when the daily intolerance limit is enforced during OFO situations the company currently treats all of CIMA's customers in the aggregate and requires only that our aggregate "pool" be within the specified tolerance levels. The proposed new charges will eliminate this flexibility, which is valuable to Utah TS customers and their suppliers. Maintaining dozens of individual customer imbalances within narrow tolerance levels will be unduly burdensome, costly and difficult. Even when a supplier's aggregate pool is within the daily tolerance levels, individual customers might be outside the tolerance level and thus be subject to unnecessary costs that were

not actually incurred because of CIMA's actions designed to mange nominations and limit aggregate imbalances.

Q. Please explain in more detail your objection to the proposed rate in concern 1) above regarding the analysis of TS activity independent of system activity.

A. Mr. Mendenhall's analysis looked at the daily imbalance activity of only the TS customer class by itself for a random one-year period ending November 30, 2014. It assumes that all of the daily imbalances were managed by Questar Gas using its upstream NNT and storage services on Questar Pipeline. The analysis ignores the contribution of the sales customer class nomination by QGC and its daily imbalance during the sample period, where there may have been an offsetting position on any given day, thus mitigating the assumed use of any upstream services as listed in the table at line 82 of Mr. Mendenhall's testimony. I refer to UAE/Nucor/CIMA witness Kevin Higgins' testimony for more details regarding the total system analysis and resulting impacts to the charge calculation.

Q. Please explain in more detail your objection to the proposed rate in concern 2) above regarding errors in QGC's calculations and assumptions.

A. I believe there is an error in the QGC calculation for fuel gas reimbursement. The QPC fuel reimbursement rate has changed from 1.97% in kind to 1.86% in kind. When TS customers are long gas, creating a positive imbalance, Questar

Gas suggests that it will be injecting TS customers' market priced gas into storage. The difference in the Fuel Gas Reimbursement for QPC and Clay Basin between the company's cost of service gas ($4.63135) and the current April 2014 IFERC Northwest Pipeline Rocky Mountain index price of $2.30/Mmbtu is $.04846 and $.04663, respectively. Therefore the total rate of $0.52205 should be reduced to $0.43327 in all events, for a positive imbalance at current market prices, assuming this gas is actually transported to Clay Basin. However, I do not believe that, operationally, nominations to/from Clay Basin actually take place for daily TS customer imbalances; rather the no-notice component of the upstream services accounts for total system imbalances automatically at Clay Basin. I again refer to the testimony of UAE/Nucor/CIMA witness Kevin Higgins for more detail regarding this point.

Q. Please explain in more detail your objection to the proposed rate in concern 3) above regarding the overly-restrictive imbalance limit.

A. My division at CIMA currently has experience supplying end users behind several distribution companies in the Western U.S. In no case do any of those utilities have a daily tolerance restriction or associated imbalance charge anywhere near the proposed +/- 5% tolerance proposed by Questar Gas outside of a formal Operational Flow Order situation. As proposed, Questar Gas' new daily imbalance restriction and charge is much more restrictive than, and inconsistent with, the practices of virtually all other distribution companies during normal

operating conditions. CIMA believes the 5% tolerance level is much too severe during non-critical days and should be increased on non-critical days to at least a 30% band. A much greater tolerance level is more commonplace than the unreasonable daily restriction proposed by the company. For example, Southwest Gas' Southern Nevada territory has a daily +/- 25% tolerance that becomes more restrictive only during three successive stages of an Operational Flow Order with associated penalties for each stage.

Q. Please explain in more detail your objection to the proposed rate in concern 4) above regarding CIMA's balancing efforts for its TS customers in aggregate.

A. A daily 5% tolerance level is currently enforced by QGC only when it issues a notice of an Operational Flow Order during critical weather events or during QPC's twice-per-year Clay Basin inventory testing. Typically the notice is issued at the TS customer agent level to request that the agents stay within the mandated tolerance in aggregate for each agents' customers. The new requirement to maintain individual customer imbalances each day within the +/- 5% tolerance is unrealistic in practice when an agent is managing many dozens of customers, some under the 20 Mmbtu threshold for a single Mmbtu of tolerance. An agent's aggregate pool is much more easily managed by adjusting the nominations of several of its largest customers with variable use, which variability contributes the lion's share towards any imbalance. Further

complicating the issue, the most recent usage history available from Questar Gas' gas management system is two days prior to the timely nomination cycle, making the next day nomination difficult to match to varying usage each day. CIMA believes that it is unnecessary and unreasonable to eliminate the ability of suppliers and agents to offer these valuable balancing services to Utah businesses. I refer to UAE/Nucor/CIMA witness Jeff Fishman's direct testimony on data access and imbalance reconciliation issues for TS customers.

Q. Please further explain some of your concerns with the method/formula used by the company to calculate the proposed new rate.

A. Beyond my contention above that some of the rate components are fictional or erroneous and may never actually be incurred, I believe the method used by QGC to calculate the rate is incomplete in that it analyzes the TS customer class imbalances within a vacuum without considering potentially offsetting imbalances of the sales customer class on a given day. Furthermore, at the agent level, the aggregate "pool" of customers may be within the tolerance while an individual customer may be outside the tolerance and incur the charge while no upstream services were utilized by the company for the agent's group of customers. Lastly, the "compromise" tolerance band of +/- 5% refers to a daily tolerance band in QPC's FERC tariff that was referenced during discussions. Operationally during non-critical days a greater tolerance band, if any, is much more common in practice. There is no reason that Utah businesses should be subjected to unfair

and uncommon daily balancing limitations and charges not faced by competing customers in surrounding states.

Q. Please summarize your recommendations for implementing a fair and reasonable daily balancing tolerance or charge on QGC's system.

A. First I recommend further study and analysis of the actual operational features of the company's system utilized to balance supply and usage each day. During non-critical days there is some built-in system flexibility that can absorb differences between delivered supply and customer usage before any upstream assets must be utilized. Recognition of that fact would support a much greater tolerance band. Second, the revenue estimated for balancing the system using upstream assets should be recalculated based on actual nominations made or automatically adjusted for by the company utilizing the specific rate components for all customer class imbalances, not the TS customers alone. Third, a future test period should be implemented whereby the company and nominating agents and customers agree to work in collaboration to better align supplies and usage under the recalculated daily rate. Fourth, imbalances may better be monitored and managed at the agent level in aggregate rather than at the individual level. Further discussion between the company, agents and TS customers on retaining the customer benefits of these aggregation concepts should be explored and implemented at reasonable cost.

Q. Does this conclude your direct testimony?

A. Yes

Matthew J. Medura

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SUMMARY OF QUALIFICATIONS

- Well rounded energy professional with nineteen years of experience in the Rockies natural gas markets focusing on the delivery of physical gas to industrial and power consumers.
- Intricate understanding of market, legislative and regulatory activities affecting the delivered cost of natural gas and to the meter.
- Experience building a long term book of business extending 5-10 years out.
- Primary point of contact with counterparties at the plant, managerial and executive levels.

EXPERIENCE

Senior Marketing Representative – CIMA ENERGY LTD, Salt Lake City, Utah. May 2007-Present.

- Origination of term transactions throughout the natural gas supply chain including producer services, transportation contracting/AMAs, and end user physical supply.
- Sales and execution of structured hedging products for producers and end users including swaps, collars, etc.
- Built and maintain a portfolio of approximately 50 customers with contracted business extending out as far as 10 years.
- Coordinate gas marketing efforts with other departments/divisions within the company: Coordinate credit reviews and approval and contract execution between CIMA and counterparties.
- Maintain ongoing relationships with national end user consultants to enhance deal flow opportunities.
- Analyze regulatory and legislative activity to quantify cost impacts to customers.

Senior Consultant – Energy Strategies, LLC, Salt Lake City, Utah. March 2003-May 2007.

- Energy procurement alternatives analysis and contract negotiations for large industry in both natural gas and power transactions throughout the western U.S.
- Structured hedging transactions execution for price risk management objectives of energy consumers.
- Extensive analysis of cogeneration economics for smaller scale industrial and commercial consumers.
- Managed a gas purchasing cooperative aggregating approximately 10,000 Mmbtu/day.

Senior Structuring Analyst – Duke Energy Trading and Marketing, Salt Lake City, Utah. January 2002-January 2003.

- Options and forward pricing analyst for originated term wholesale deals in power and natural gas throughout the western U.S.
- Worked with mid office staff to maintain and validate forward curves.

Consultant – Accenture (Anderson Consulting), San Francisco, CA. February 2001-December 2001.

- Best practices consulting to large merchant energy trading organizations throughout the U.S. and Canada including Cinergy, Progress Energy, Enron, Shell Trading, etc.

Consultant – Energy Strategies, LLC, Salt Lake City, Utah. July 1995-November 2000.

- Market, legislative and regulatory analyst to end users of gas and power in the western U.S.
- Editor of trade association new letter on issues affecting the cost of delivered energy to end users.
- Consumer representative in various state deregulation forums throughout the western U.S.

EDUCATION

- Master of Science, Economics, GPA 3.8/4.0, University of Utah, Salt Lake City, Utah. December 1995.
  Bachelor of Arts, Economics, GPA 3.6/4.0, Villanova University, Villanova, PA. May 1989