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

REBUTTAL TESTIMONY OF KELLY B MENDENHALL

FOR QUESTAR GAS COMPANY

July 31, 2015

QGC Exhibit 1.0R

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake City, Utah.

Q. Did you previously file testimony in this case?

A. Yes.

Q. Does Questar Gas have other witnesses sponsoring testimony in this Docket?

A. Yes. Mr. William Schwarzenbach, Director of Gas Supply will also be filing Rebuttal testimony as QGC Exhibit 2.0R. Mr. Schwarzenbach will address some of the issues raised by other witnesses and the operational concerns Questar Gas Company (Questar Gas or Company) has with respect to daily nominations.

Q. What is the purpose of your rebuttal testimony in this Docket?

A. The purpose of my rebuttal testimony is to address rate and regulatory concerns and arguments presented by intervening parties and to provide a summary of the issues for the Public Service Commission of Utah (Commission).

Q. Please summarize the issues before the Commission in this case.

A. I have grouped the issues into five categories: 1) Rate Assessment, 2) Volumetric Rate Components Used in the Numerator, 3) Imbalance Decatherms (Dth) Used in the Numerator, 4) Volumes used to Assess the Charge in the Denominator and 5) Changing Customer Behavior. There are individual issues within each category. I will discuss each of these issues in my testimony below.

II. RATE ASSESSMENT

A. Assessment of Charge

Q. What is the first issue you have identified with respect to rate assessment?

A. The first and perhaps overarching issue in this case is whether the Company should assess a charge to transportation customers (TS Customers) for imbalance services.

Q. What are the parties' respective positions on the issue?

A. The Company, the Division of Public Utilities (DPU) and the Office of Consumer Services (OCS) offer testimony that the transportation customers are receiving a benefit of value and should pay something for that benefit. The Utah Association of Energy Users (UAE), Nucor Steel-Utah, CIMA Energy Ltd, Summit Energy LLC and US Magnesium LLC think the proposal should be rejected or analyzed in a working group. A table summarizing the positions is shown below:

Table 1

Witness	Proposal	Reference
Mendenhall	Imbalance charge should be assessed to transportation customers.	QGC Exhibit 1.0, lines 233-238.
Mierzwa	Questar Gas' imbalance charge is reasonable and should be approved. An alternate charge on all transportation volumes would also be reasonable.	Direct Testimony of Jerome D. Mierzwa, lines 56-60.
Wheelwright	TS customers should pay for services used.	DPU Exhibit No. 1.0D, lines 335-342.
Higgins	Recommends rejection of Questar Gas' proposal, or alternatively, a workshop to investigate the balancing issue.	UAE/Nucor/CIMA Direct Exhibit 1.0, lines 49-56.
Medura	Recommends further study & analysis.	CIMA Direct Exhibit 1.0, lines 131-132.
Swenson	A working group should be established to provide input for an imbalance rate.	US Mag Direct Exhibit 1.0, lines 146-149.
McGarvey	More analysis is needed.	Direct Testimony of Michael McGarvey, lines 19-23.

Q. Mr. Higgins claims that monthly balancing is the standard across the country (Higgins, lines 158-161) and that daily balancing requirements for TS Customers are rare (Higgins, lines 131 and 132). How do you respond?

A. Mr. Higgins is confusing two issues. There is a difference between "gas commodity balancing" policies and the proposed "daily imbalance" charge. Gas distribution companies require gas commodity balancing on a monthly basis to ensure that at the end of the month, the amount of gas that a specific customer delivers onto the system is in balance with the actual amount of gas used. Companies assess a penalty when a customer does not stay within a monthly 5% tolerance. This penalty is related to commodity imbalances and not to any transportation balancing services used. In contrast, the Company's proposal is not related to commodity imbalances; rather it is a charge for upstream transportation balancing services used on a daily basis.

Q. What is the difference between the monthly commodity balancing penalty and the daily balancing service charge?

A. A penalty is usually an economic incentive designed to encourage or discourage customers to act in certain ways. In the case of monthly commodity balancing, section 5.09 of the Company's Utah Natural Gas Tariff 400 (Tariff) imposes a penalty of the greater of $1.00 or the difference between monthly and daily market index prices, plus $0.25. The primary purpose of the penalty is to encourage customers to stay within a 5% tolerance on a monthly basis. In this docket the Company has proposed a charge based on the value of the services that the TS customers use on a daily basis. If they use less of the daily balancing services their charge will go down.

Q. Are there other ways to collect the value of the daily balancing costs without assessing a charge on the volumes outside the proposed 5% daily tolerance?

A. Yes. Some of the parties have proposed that the costs could be collected using a flat volumetric rate to all TS Customers. While this would collect the costs associated with balancing services, it would not incent better nomination practices. It would also not assess

costs to the individual TS Customers for the daily imbalances they cause on the system. With a flat volumetric rate, a customer that transports a large volume of gas and uses what it nominates would pay a significant amount for a service it did not use. I will address this issue in greater detail in the "Volumes Used to Assess the Charge in the Denominator" section of my testimony.

Q. Is there another way to collect these costs without allowing for the 5% tolerance?

A. Yes. The Company's proposal could be modified to allow a 0% tolerance and TS customers could be assessed a charge for every Dth of imbalance that they create. In this case the rate would be lower because the imbalance volumes (denominator) would be higher. The 2014 working group explored the option of assessing the charges to all TS Customer imbalances, but without any tolerance. As I will discuss later, the Company ultimately abandoned this approach due to workgroup feedback.

Q. Do you think the Company's proposal makes Questar Gas unique in the industry as Mr. Higgins suggests?

A. No. As Mr. Mierzwa testified, it is not uncommon for gas utilities to require monthly balancing and assess a balancing charge on each Dth of throughput. Even if this proposal were unique in the industry it would not change the fact that TS Customers use upstream transportation, no-notice and storage services and should pay for their use.

Q. Does Questar Gas' Tariff currently allow for the charging of these balancing services?

A. Yes. Questar Gas' Tariff allows for the collection of upstream costs incurred by the Company for TS Customers. In Section 5.01 – Conditions of Service in the Questar Gas tariff the section entitled "Fees, Costs and Charges" states:

> In the event that the Company incurs fees, charges or costs as a result of the transportation of a customer's gas to the Company's distribution system by an upstream pipeline the Company will provide a statement of such charges or costs. The customer will reimburse the Company for all fees, charges or costs associated with such transportation**.**

Q. Is the Company's proposal a mechanism to collect these costs?

A. Yes. The Company's proposal would collect for upstream balancing services used by TS Customers, and require them to compensate sales customers for this value.

Q. Does Questar Gas currently charge any transportation classes for balancing services?

A. Yes. The Municipal Transportation Class (MT) currently pays a $0.06/Dth facilities balancing charge. This charge was instituted in Docket 98-057-01.

Q. Should the MT class continue to pay a flat $0.06/Dth rate if the Commission accepts the Company's proposal?

A. There is currently one customer in the MT class. In order to treat this customer fairly, they should only be required to pay one charge. Either they can continue to pay the $0.06/Dth rate for balancing or, if the Commission deems it just and reasonable, they can pay the imbalance charge resulting from this proceeding.

Q. Mr. Higgins states that your proposal of $1.7 million is a large increase when applied to the $15 million revenue requirement for the TS Customer class (Higgins, lines 216-220). How do you respond?

A. In order to accurately calculate the impact of this charge on a TS Customer, all of the costs must be included. Mr. Higgins is excluding the commodity cost in his calculation.

Q. What would the percentage increase be if you included commodity costs?

A. The average cost per Dth for a transportation customer for distribution non-gas services at the end of 2014 amounted to about $0.34 per Dth.[1] If that amount is added to the $2.88[2] per Dth commodity cost the total cost per Dth for a transportation customer would be around

[1] The $0.34/Dth was calculated by taking the total TS class revenue of $12,388,333 divided by the total TS class volumes of 36,485,444 for the year ended 2014. These numbers are found on page 16 of the Questar Gas December 2014 financial statement.

[2] The $2.88 per Dth was the Henry Hub price on July 29, 2015.

\$3.22/Dth. The \$0.037/Dth flat rate calculated by Mr. Mierzwa results in about a 1% increase for an average transportation customer.

Q. Do you believe the Company's rate calculation is just and reasonable and in the public interest?

A. Yes. The Company's proposal fairly assesses TS Customers for the value of the services they use on a daily basis.

B. Working Group Formation and Notice Prior to Implementation

Q. Witnesses Higgins, (Higgins, lines 193-197), Swenson (Swenson, lines 144-149), Medura (Medura, lines 131-146), McGarvey (McGarvey, lines 80-97) and Wheelwright (Wheelwright, lines 336-340) all recommend the creation of a working group to discuss and resolve these issues. Do you think this is necessary?

A. No. The Company and interested parties have been discussing operational concerns related to TS Customers' nomination practices since the last general rate case in 2013. A review of the testimony in this case shows that despite these discussions, the parties positions are still too far apart for a consensus to take place. A working group would only further delay a Commission order on this issue.

Q. How did these issues arise in the Company's last rate case?

A. On July 1, 2013, Questar Gas filed a general rate case in Docket 13-057-05. In that Docket the Company proposed to make changes to section 5.01 Transportation Service that would require TS Customers to provide upstream transportation information to Questar Gas. Some of the interveners in this docket filed testimony in that case opposing the proposed Tariff change. In the partial settlement stipulation regarding TS Tariff language, filed January 6, 2013, the parties agreed for purposes of settlement that "the Company will also withdraw its proposed changes to the language of Section 5.01 of the Company tariff under the heading 'upstream capacity'" and "The settling parties agree that on or before April 1, 2014, they will invite the Settling Parties and other interested entities to collaboratively explore additional

changes to the language of Sections 5.01 and 5.07 of the Company's tariff to address interruption and related concerns and issues."[3]

Q. Did the Commission accept the stipulation?

A. Yes. In its February 21, 2014 order the Commission accepted the statement and said, "we are encouraged by the TS Parties' commitment to engage in additional discussion to further address remaining issues."[4]

Q. Did the parties hold further discussions?

A. Yes. The parties met three times during the first half of 2014. In those meetings the Company discussed its proposal to charge transportation customers for supplier non-gas costs. Many of the interveners in this docket were present at those meetings.

Q. Did you discuss the transportation imbalance charge in these meetings?

A. Yes. In the meetings the parties explored a few different methods to collect imbalance charges from TS Customers. One of these methods, to assign the balancing costs directly to customer imbalances, has been proposed by the Company. Another one of these methods, the flat volumetric charge, has been proposed by others in this case.

Q. Would further discussions in a new working group result in consensus?

A. No. The Company and interveners have met multiple times over the past 18 months and it is unlikely that a working group will come to an agreement on this issue or produce a result any better than what Questar Gas has already proposed. This proceeding alone will take longer from start to finish than a general rate case. A working group would just prolong and delay the reimbursement to sales customers of balancing costs from the transportation customers. It would also delay a resolution of the operational concerns that Questar Gas has on its system as discussed by Mr. Schwarzenbach in his testimony.

Q. Did the meetings you described influence the Company's proposal in this docket?

[3] Partial Settlement Stipulation Regarding TS Tariff Language, January 6, 2013.
[4] February 21, 2014, Report and Order, Docket No. 13-057-05, page 41.

A. Yes. When the group discussed the assignment of costs to TS Customers the Company proposed to assess the imbalance costs on every Dth of imbalance, with no 5% tolerance. In this docket, the Company proposed to assess the charge only on volumes outside of a 5% tolerance window. The Company proposed that specific part of the rate design as a direct result of feedback from the working group. Some work group participants proposed that the customers who effectively managed imbalances should be rewarded by paying less of the balancing costs. The Company's proposal takes the costs that would have been paid by customers within a 5% tolerance and allocates it to the customers that are outside of a 5% tolerance.

Q. What does the Company recommend with respect to a working group?

A. The parties are not likely to reach consensus on remaining issues in a working group. The Company requests that the Commission rule on these issues now so that all parties have clarity going forward.

Q. Do you agree with Mr. Higgins (lines 173-178), Mr. Medura (lines 139-142), or Mr. McGarvey (lines 24-28) that a notice or test period is needed for customers to re-tool their practices insofar as daily nominating is concerned?

A. No. The TS Customers have had ample time to prepare for changes in their nominating practices. As stated above, there have been several meetings with the parties and testimony was filed in December of 2014, so there has been sufficient notice for parties to have prepared for changes in their nominating processes.

Q. Do you agree with Mr. Wheelwright's assessment that the Company has not presented sufficient information at this point to validate the appropriate costs that should be assigned to the TS class or their method of recovery?

A. No. The Company filed this Docket on December 14, 2014. During the eight months since that time, the Commission held two technical conferences and the parties issued numerous data requests. Eight months is more discovery time than is typically provided in a general rate case. Parties will file additional rebuttal testimony concurrently with my testimony. My testimony and the other filed testimony provides sufficient evidence to support the

Company's proposed cost calculation. In addition, the Company intends to file surrebuttal testimony and will be prepared to discuss any questions the parties may have during hearings.

III. VOLUMETRIC RATE COMPONENTS USED IN THE NUMERATOR

A. Upstream Transportation Costs

Q. Mr. Higgins suggests that when transportation customers over-deliver to the Questar Gas system they do not use any upstream transportation capacity. Do you agree with this assessment?

A. Mr. Higgins is correct that, in most instances, no physical backhauls occur on the system. However, the overall effect of an over-delivery is that the Company uses no-notice service to adjust the nomination at Clay Basin, thereby reducing the actual gas delivered for the day.

Q. How can you justify charging transportation customers for over-deliveries when no gas is physically transported on the system?

A. An over-delivery occurs when a TS Customer nominates more gas than they consume. Something must be done with the excess gas that arrives at the city gate. If the sales customer's upstream services were not available to provide a cushion to allow for an adjustment to these transportation volumes, the TS Customers would either have to sell it at the city gate or transport it elsewhere. The Company uses its own upstream services to help TS Customers avoid these costs. I have included the upstream transportation because it represents a part of the value of the service they are receiving.

Q. Mr. Higgins suggests that when TS Customers under-deliver to the Questar Gas system they should not be charged for the used upstream capacity. Do you agree with this assessment?

A. No. An under- delivery occurs when a transportation customer nominates less gas than they consume. As the data request on lines 321-323 of Mr. Higgins testimony states, when an under-delivery occurs, total volume to the city gate is increased to adjust for the shortfall. The overall nomination for Questar Gas would be automatically adjusted upward using the

no-notice contract, and the amount of gas flowing on the transportation contract, as well as the fuel gas related to that contract, would also be increased.

Q. Does Mr. Higgins provide any other arguments for why these costs should not be included?

A. He proposes to remove these costs because "little or none of these costs represent incremental costs that transportation customers are causing QGC to incur" (Higgins, lines 212-214).

Q. Do you agree that these charges should not be assessed because they are fixed and not incremental?

A. No. While it is true that the transportation costs are fixed, that does not mean that they are sunk costs that have no value. Questar Gas releases "fixed" transportation capacity to other customers on Questar Pipeline and charges them a volumetric $0.17/Dth rate for that capacity. This rate is what the Company is proposing to charge for the upstream transportation portion of the imbalance services. This is the value of the services they are receiving.

Q. How do other parties respond to Mr. Higgins claim?

A. QGC 1.1R summarizes the positions of the other parties in this docket. As shown on Line 1 of the exhibit, the Company and OCS believe that the rate should be included, while Mr. Higgins believes it should be excluded. All other parties did not express an opinion in testimony.

B. Transportation Fuel Gas Reimbursement

Q. Please explain how the parties disagree on the issue of fuel gas?

A. Mr. Higgins takes issue with my rate calculation as shown on line 4 of QGC 1.1R. He recommends that the fuel gas reimbursement related to transportation be removed because he assumes transportation services are not being used. (Higgins, lines 223-226)

Q. Do you agree with this argument?

A. In principle, I agree that if transportation services are not being used then the corresponding fuel charge should not be included. As stated earlier, however, I disagree with Mr. Higgins assessment that transportation services are not being used. He has removed both the service and the fuel, while I contend that they should both continue to be included in the rate.

C. WACOG vs. First of Month Gas Prices for Fuel Gas Reimbursement Costs

Q. Mr. McGarvey and Mr. Medura are concerned that the fuel gas reimbursement charge uses the Weighted Average Cost of Gas (WACOG) to calculate the charge. (McGarvey, lines 61-75), (Medura, lines 61-75). They state that some supply could originate from a third party where the actual cost of supply is currently lower. How do you respond?

A. The WACOG rate represents the blended cost that sales customers currently pay for fuel gas. Any charge other than the WACOG rate would not correctly reflect the actual cost.

Q. Do Mr. McGarvey and Mr. Medura have any other issues with the fuel gas reimbursement rate?

A. Yes. Mr. McGarvey (McGarvey, lines 67-79) and Mr. Medura (lines 61-62) take issue with the fact that the fuel gas reimbursement percentage of 1.97% is not current. They are correct. For purposes of this rate, the Company would update the rate components based on the effective WACOG and fuel gas reimbursement percentage. The Company already does so twice a year when it files each pass-through case.

IV. IMBALANCE DECATHERMS USED IN NUMERATOR

A. Line Pack

Q. Mr. Higgins (Higgins, lines 354-358) and Mr. Swenson (Swenson, lines 114-127) both argue that the benefits and flexibility of line pack should be included in the calculation of imbalance Decatherms. How do you respond?

A. The Questar Gas system does not have significant line pack. An interstate pipeline typically consists of large diameter pipe moving a relatively large amount of gas to a small number of locations. Interstate transmission pipelines purchase gas for system line pack to be used on

the system and record the cost of line pack on their books. A distribution system is made up of small pipes serving comparatively small amounts of gas to many customers in many different areas. As Mr. Schwarzenbach will discuss, the Questar Gas system does not have the line pack to manage supply swings from the large transportation customers. The Company manages imbalances using services on the upstream pipeline. Mr. Higgins allows for a 5% line pack tolerance in his calculation but he provides no evidence that this level of line pack exists.

Q. Is there evidence that Questar Gas does not have significant line pack on its system?

A. Yes. The Federal Energy Regulatory Commission (FERC) code of accounts requires that company-owned line pack be reported in account 376 (Mains) and be included in rate base.[5] For Questar Gas, the 376 account includes no line pack purchases. Line pack on the Company's system is de minimus and does not exist in Questar Gas' rate base for regulatory or accounting purposes. Therefore, it is incorrect for Mr. Higgins to use line pack in his calculation to help reduce the amount owed by transportation customers for balancing services.

Q. What impact does Mr. Higgins line pack adjustment have on the rate calculation?

A. Mr. Higgins adjustment is shown on line 11 of QGC Exhibit 1.1R. This adjustment reduces the imbalance Dths in the numerator by more than half. Based on the prior discussion, this adjustment should not be made.

B. Sales Customer Netting Adjustment

Q. Mr. Higgins, Mr. Swenson and Mr. Medura suggest that sales and transportation volumes should be netted against each other on days that they are moving in opposite directions. How do you respond?

A. I would refer to the testimony of Mr. Mierzwa that the calculation is consistent with how charges are assessed to customers for these services on the upstream pipeline (Mierzwa, lines 125-132). For example, if Customer A and Customer B both injected 100 DTH into Clay

[5] 18 CFR Subchapter F, Part 201, Balance Sheet Accounts, Account 376.B.8.

Basin on a given day, they would both be assessed charges for 100 DTH of injection. If on the next day, customer A injected 100 DTH and customer B withdrew 100 DTH, it would be possible that there could be no physical injections at Clay Basin on that given day. However, Customer A would still be assessed for 100 DTH of injections and Customer B would be assessed for 100 DTH of withdrawal because the pipeline provided the necessary service and that service has a set value. A paper transaction is just as valuable as an actual physical transaction if it provides the service needed by the customer. It should be irrelevant to the customer how that service was provided, only that it was provided.

Q. How does this netting principle apply to the proposed calculation?

A. Some interveners suggest that, on days that the TS Customers offset the imbalances of sales customers they are providing a service that provides value to sales customers. I disagree. The sales customers do not need the TS Customers to help them offset imbalances because they have purchased services to remedy imbalances. However, the TS Customers need to use the upstream balancing services of the sales customers to correct their imbalance. The Company's proposal is that the transportation customers reimburse the sales customers for the market value of those services.

Q. Where is Mr. Higgins adjustment shown?

A. His adjustment is shown on line 12 of QGC 1.1R. This adjustment is made after the 5% netting adjustment resulting in a smaller impact to the rate. This adjustment reduces the imbalance Dths by an additional 188,257 Dth.

V. VOLUMES USED TO ASSESS THE CHARGE IN THE DENOMINATOR

Q. Please explain the different positions for assessing the charge to customers.

A. The Company's original proposal was to assess the charge to each customer on a daily basis based on their imbalance volumes over a 5% tolerance. Mr. Higgins adopted this proposal in his rate calculation. Mr. McGarvey (McGarvey, lines 145-146) advanced a second approach to create a volumetric rate to be spread over all volumes transported by the TS Customers.

Mr. Wheelwright adopted this second approach in his testimony (Wheelwright, lines 281-287) and Mr. Mierzwa is comfortable using either approach (Mierzwa, lines 56-60).

Q. Where are the various proposals shown in the summary exhibit?

A. Line 15 of QGC 1.1R shows the volumes used and line 16 shows the proposed rate calculation.

Q. What is your opinion of using a volumetric rate spread over all volumes?

A. As I mentioned in my direct testimony, there are two reasons the Company is proposing this charge. First, it wants to fairly charge transportation customers for the imbalance services they are using, and second it wants to incent a change in behavior. The volumetric rate will achieve the first goal. However, as mentioned by other parties, it will not incent a change in behavior. Mr. Schwarzenbach will explain the operational issues that occur because TS Customers and their Agents[6] do not accurately nominate on a daily basis. While the Company's proposal is not as simple as the flat volumetric rate design it will send a price signal to those TS Customers who are out of balance and reward those who closely manage their nominations. It will also more accurately assess the balancing costs by assessing those costs based on each TS Customer's aggregate daily imbalance, outside of a 5% tolerance.

Q. Would you like to address any other issues related to the rate design?

A. Yes. Mr. Swenson discusses the notion that the netted imbalance volumes in the numerator and the customer-specific imbalances in the denominator could change at different rates causing a dramatic increase in the rate. (Swenson, lines 58-70).

Q. Please explain what causes this problem to occur?

A. The problem is caused by the 5% imbalance tolerance. This tolerance could cause the numerator and denominator to change at different rates if a majority of the large customers keep their imbalances within a 5% range on a daily basis. If the tolerance were increased to

[6] The term "Agents" refers to agents that TS Customers have retained to manage their gas supply. Interveners CIMA, Summit Energy, LLC, and Continuum are, for example "Agents" who manage supply for a number of Questar Gas TS Customers.

an amount greater than 5%, this problem would be even more significant. While this problem could arise it would only be under specific circumstances.

Q. Is this potential rate design problem of concern?

A. No. The parties will have the opportunity to review the rate calculation every six months in a pass through filing. If there are anomalies in the rate calculation, they could be addressed at that time.

Q. What could be done to resolve this issue?

A. A solution would be to change the rate design. If the imbalance tolerance were reduced to 0% then the rate could mathematically never go above $0.52/Dth, the actual per Dth cost of the service.

VI. CHANGING CUSTOMER BEHAVIOR

A. Commodity Balancing Restrictions

Q. Could the Company use commodity balancing restrictions, sometimes referred to as operational flow orders (OFOs), instead of rate design to try to change behavior, as suggested by Mr. Wheelwright (lines 192-198)?

A. Mr. Schwarzenbach will discuss the current limitations to OFOs and some proposed changes that could improve customer nominations.

B. Aggregation

Q. Mr. McGarvey has recommended that Questar Gas aggregate and apply the daily imbalance tolerance penalties at the Agent level (McGarvey, lines 149-155). Would this proposal solve the Company's two issues?

A. No. Mr. McGarvey's proposal ignores the fact that I have already aggregated all of the customer daily imbalances in my rate calculation. This was discussed in Mr. Mierzwa's testimony (Mierzwa, lines 233-238). Aggregating the imbalances a second time at the Agent level would insure that the Company would never collect the full cost of balancing services

from transportation customers due to double counting. Aggregation at the Agent level would also allow Agents to continue to adjust the nominations of a few large customers as described by Mr. Medura on lines 99-105 of his testimony. This will result in problems allocating allowed usage and penalties on days when supply curtailments occur. As Mr. Mierzwa also points out, the Company contracts with customers and not Agents. Mr. McGarvey's recommendation would just add a layer of complexity without solving any of the issues.

C. Additional Metering

Q. Mr. McGarvey discussed the fact that Questar Gas should provide real-time measurement for customers so that they can more reliably nominate. (McGarvey, lines 124-128). Do you agree?

A. No. I would refer to lines 212-214 of Mr. Mierzwa's testimony: "Transportation service is an elective service. Therefore, transportation customers should be responsible for monitoring their own usage on a real-time basis and for paying the costs associated with any necessary telemetering services." TS Customers and/or their Agents are in the best position to determine whether they have a need for any real-time metering data and how they pay for it. This is already provided for in the Company's Tariff Section 5.01. "Any costs to modify existing Company facilities or to install new Company facilities required in order to provide service shall be paid to the Company by the customer in advance of construction, unless other arrangements have been made."

Q. Do you think purchasing real-time monitoring equipment is necessary?

A. No. If a customer wants real-time data the customer can read its meter onsite at any time for no additional cost. Additionally, real-time usage is only one of many factors needed to accurately predict usage for the following day. As Mr. McGarvey states, "agents use proprietary forecasting regression models, local weather forecasts, historical consumption profiles and current usage trending" (McGarvey, lines 120-122) to forecast customer supply requirements.

Q. Do you have any recommendations?

A. Yes. The Company asks the Commission to approve its original proposal as filed in QGC Exhibit 1.0. The Company also proposes that the rate calculation be updated using the most recent data available.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Kelly B. Mendenhall, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

_____
Kelly B. Mendenhall

SUBSCRIBED AND SWORN TO this 31st day of July, 2015.

_____
Notary Public