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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 use of Supplier-Non-Gas Services	Docket No. 14-057-31
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PREFILED SURREBUTTAL TESTIMONY OF MICHAEL R. MCGARVEY

Summit Energy, LLC does hereby submit the Prefiled Surrebuttal Testimony of Michael R. McGarvey in this Docket.

DATED this 13th day of August, 2015.

/s/

Larry R. Williams
Counsel for Summit Energy, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 13th day of August, 2015, on the following:

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

SURREBUTTAL TESTIMONY OF

MICHAEL R. MCGARVEY

On behalf of

Summit Energy, LLC

1 **Q. Please state your name and business address.**

2 A. My name is Mike McGarvey. My business address is 90 South 400 West, Salt
3 Lake City, Utah.

4 **Q. Did you previously file testimony in this case?**

5 A. Yes.

6 **Q. What is the purpose of your Surrebuttal Testimony in this Docket?**

7 A. My surrebuttal testimony responds to the direct testimony of Jerome D. Mierzwa,
8 who filed testimony on behalf of the Office of Consumer Services (“OCS”), Douglas
9 D. Wheelwright, who filed testimony on behalf of the Utah Division of Public Utilities
10 (“DPU”), and the rebuttal testimony of both Kelly B. Mendenhall and William
11 Schwarzenbach, who filed rebuttal testimony on behalf of Questar Gas Company
12 (“Questar Gas”).

13 **Q. Mr. Mierzwa testified that one of Questar Gas’ intentions in the Docket was**
14 **“... to charge transportation customers for the services they use.” (Direct**
15 **Testimony of Jerome D. Mierzwa, lines 68-69) Mr. Mierzwa then describes**
16 **the method proposed by Questar Gas by which the charge should be**
17 **calculated and agrees with that method. (Direct Testimony of Jerome D.**
18 **Mierzwa, lines 71-89). Do you agree with Mr. Mierzwa?**

19 A. No, examples have been provided in direct testimony in this Docket that clearly
20 describe normal daily operations where the charges calculated under the method
21 proposed by Questar Gas would result in payment for services that are not actually
22 used. While the cost components listed in Table 1 on Page 5 of Mr. Mierzwa’s

23 direct testimony are valid per the Questar Pipeline Tariff, each component isn't
24 applicable to each daily imbalance situation. Efficiencies are being overlooked.
25 Mr. Mierzwa appears to agree with a method of calculation of charges for costs
26 that have not actually been incurred.

27 **Q. Mr. Mierzwa disagrees with the claim you made in direct testimony that the**
28 **Questar Pipeline fuel gas reimbursement charge included in the design of**
29 **Questar Gas' daily imbalance charge is improperly calculated and cited an**
30 **example in his direct testimony (Direct Testimony of Jerome D. Mierzwa,**
31 **lines 196-201). Do you agree with Mr. Mierzwa?**

32 A. Mr. Mierzwa misunderstood my direct testimony, but his testimony on this issue
33 does point out one of the flaws with the method proposed by Questar Gas. His
34 example looks at a situation where Questar Gas must provide additional supply
35 where the fuel reimbursement charge would obviously be based on Questar Gas'
36 cost of gas. His example illustrates a situation when not enough supply has been
37 provided from the Agents for the transportation customers. My direct testimony
38 addressed the opposite situation where Questar Gas claims they send excess
39 "transportation customer" supply to Questar Gas who then must send it to storage.
40 The method proposed by Questar Gas in this Docket assumes all excess
41 transportation customer supply received by Questar Gas from Agents is
42 transported back to storage each day. There has been no historical evidence of
43 this as Questar Gas' common practice. The example used by Mr. Mierzwa points
44 out a flaw where this excess supply (supply provided from Agents) would have the

45 same fuel gas reimbursement charge as that of Questar Gas' own supply. The
46 fuel gas reimbursement charge is calculated based on the cost of gas with Questar
47 Gas' cost of gas being much higher than that of the current market used by Agents.
48 The calculation should be adjusted to reflect actual costs.

49 **Q. Mr. Mierzwa disagrees with your direct testimony where you claimed the**
50 **proposed daily imbalance tolerance of 5% should be rejected because**
51 **Questar Gas does not have the necessary telemetering services in place for**
52 **transportation customers to monitor daily imbalances. Do you agree with**
53 **Mr. Mierzwa and why do you claim that Questar Gas does not have the**
54 **necessary telemetering service in place?**

55 A. I do not agree with Mr. Mierzwa. For decades, Questar Gas has required their
56 own telemetry to be installed at each transportation customer site to monitor usage
57 via their own system. In fact, each new transportation customer is required to meet
58 with a Questar Gas representative to coordinate the installation of the Questar Gas
59 system before any transportation services can begin. Any telemetry requirement
60 should mirror the system installed as required by Questar Gas. The current
61 Questar Gas system cannot provide the monitoring requirements of the proposal.

62 **Q. Will third party telemetry contracted by the transportation customer meet**
63 **Questar Gas' stated goals in this Docket a viable option?**

64 A. No, it would be very confusing for the customer and will take time to install,
65 calibrate and put into use. Problems facing the transportation customers with this
66 telemetry upgrade are: 1) cost - Most affordable (less than \$5000) telemetry

67 services available do not have an error rate below 5% and would be useless.
68 Those that are more accurate and have a smaller error rate in the 2-4% are
69 significantly more expensive; 2) additional telemetry may not be able to function in
70 conjunction with the existing telemetry currently provided by Questar Gas. This
71 could result in Questar Gas having to rely on third party systems to receive the
72 telemetry data of their own transportation customers; 3) Questar Gas and the OCS
73 want this tolerance charge made effective very soon and have claimed all
74 transportation customers have had months to prepare since the filing of this Docket
75 and should have had telemetry installed ahead of the Utah Public Service
76 Commission's ("Commission") ruling. Transportation customers could not and
77 should not make any changes until there is a decision identifying the required
78 changes. Any new requirement must allow sufficient time for the hundreds of
79 companies utilizing the transportation service to properly install and test any new
80 equipment.

81 **Q. Is there a better method to both repay sales customers for services used by**
82 **transportation customers while incentivizing more accurate supply delivery**
83 **to meet usage?**

84 A. Absolutely. Once the actual reimbursement cost has been calculated, it would be
85 most efficiently recovered volumetrically. This would provide Questar Gas the
86 money it seeks to repay its sales customers with the least amount of administrative
87 burden to themselves and all involved while allowing for the lowest immediate
88 financial impact per each transportation customer.

89 The accuracy of nominated volumes provided to each transportation customer
90 could be handled via more precise use of Operational Flow Order (“OFO”)
91 declarations as described by Mr. Wheelwright (direct testimony of Douglas D.
92 Wheelwright, lines 262-268) from the Questar Gas Tariff: “restrictions may be
93 applied on a system-wide basis, a nominating-party by nominating-party, a
94 customer-by-customer basis...” Since at least 1997 Questar Gas has always
95 declared system wide OFOs. I agree with Mr. Wheelwright in that Questar Gas
96 could reasonably do more to protect their stated interests by seeking out and
97 restricting only those transportation customers who continually behave poorly to
98 improve their nomination and supply practices thereby relieving the claimed
99 system stress.

100 **Q. Mr. Schwarzenbach claims that a volumetric flat rate would not provide**
101 **transportation customers and their agents with a financial incentive to**
102 **change behavior and provide more accurate nominations (Direct Testimony**
103 **of William Schwarzenbach, lines 266-270). Do you agree?**

104 A. No. OFO limitations and penalties were established long ago to address this very
105 issue. The incentive already exists and is also why an established method of
106 aggregating, balancing and paying the penalties already exists, as well. Questar
107 Gas needs to be more proactive by declaring OFOs as reasonably needed in such
108 a fashion that allows this established method to do what it was designed to do.
109 The incentive is there if OFO’s are used properly.

110 **Q. Mr. Schwarzenbach seeks further tariff modifications to help provide**

111 **financial incentive by removing balancing and trading imbalances for OFO**
112 **restricted events. Do you agree?**

113 A. No. What Mr. Schwarzenbach suggests is radical, discriminatory and is definitely
114 not in the public interest. The process of balancing and trading imbalances is a
115 true-up between all of the over-supplied and under-supplied daily volumes during
116 days where an OFO has been declared before penalties are imposed. This activity
117 nets those volumes to true-up system impact. By removing this language, it would
118 allow Questar Gas to impose additional fees as penalties for every over and under
119 supplied customer when their netted impact could be within tolerance. The
120 proposed tariff modifications would unfairly burden transportation customers and
121 stifle competition. It is alarming to see the monopolistic lengths Questar Gas is
122 willing to go to unfairly burden their transportation customers when other, more
123 operationally feasible, options exist.

124 **Q. Is Summit Energy able to completely resolve imbalance penalties via**
125 **balancing and trading for its customers?**

126 A. No, the nature of nominating and supplying natural gas to actually be used by
127 transportation customers is inexact at best. Summit Energy's best efforts are not
128 always able to insulate our customers from imbalance penalties. Daily usage
129 profiles of each transportation customer change unexpectedly and are very difficult
130 to predict. It's a reality of natural gas use by the public.

131 **A. Does Mr. Schwarzenbach's proposed tariff modification (QGC Exhibit 2.3R)**
132 **solve Questar Gas' stated problem?**

133 A. No. the proposed tariff modification will do nothing to solve the stated problem.
134 Inexact estimates of natural gas daily usage is a reality for these customers. The
135 only benefit of the proposed tariff is to allow Questar Gas to collect more money
136 and unfairly burden transportation customers and financially persuade those
137 customers to switch rates back to that of a direct sales customer.

138 **Q. Mr. Mendenhall claims aggregating daily imbalances at the Agent level would**
139 **not be sufficient because the volumes have already been aggregated in his**
140 **initial rate calculation. Do you agree?**

141 A. No, what Mr. Mendenhall is referring to is different than what my testimony was
142 directed towards. Mr. Mendenhall's aggregation is solely for the development of
143 what he believes the reimbursement costs are for the services used by the entirety
144 of all transportation customers. The aggregation in my testimony refers to how the
145 costs are applied and collected from the transportation customers. The Agent is
146 responsible for the supply to the entirety of its customer base and should be
147 allowed to combine the net impact of all imbalances within the group of
148 transportation customers under its purview. A clear example of the aggregation
149 I'm referring to is when an Agent has only two customers where one customer
150 over-supplied 10 dth and another under-supplied 10 dth. The net imbalance to
151 Questar Gas is zero yet the policy Questar Gas wants to implement would still
152 impose a charge or penalty to each. This would unfairly enrich Questar Gas with
153 the charged penalty fee to each of those customers when there has been no net
154 impact.

155 **Q. Mr. Mendenhall claims aggregation at an Agent level would not solve the**
156 **nomination accuracy because Agents would just adjust a few transportation**
157 **customers to keep the aggregated customer base in balance. Do you agree?**

158 A. No. This would not happen if Questar Gas would impose OFO restrictions as their
159 tariff allows. This is a problem Questar Gas can already solve on their own.

160 **Q. Mr. Mendenhall does not believe a Task Force as suggested by Mr.**
161 **Wheelwright (direct, lines 288-298) would not be beneficial. Do you agree?**

162 A. No. Mr. Mendenhall cites prior disagreements as an excuse to rush the agenda of
163 Questar Gas. A task force is absolutely necessary for this Docket because there
164 are too many things wrong with the proposal. The total cost to reimburse the sales
165 customers is not based on actual costs but rather theoretical practices. It fails to
166 allow for aggregation and, instead, would penalize all customers without concern
167 for systemic daily impact. There was no formal test period where practices beyond
168 the existing required monthly balancing could have mitigated the amount of the
169 cost reimbursement. It places unrealistic and burdensome administrative
170 practices on the transportation customer base making it impossible to remain
171 penalty free when a simple volumetric solution combined with better OFO practices
172 is obvious.

173 **Q. Does this conclude your surrebuttal testimony?**

174 A. Yes.