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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<p><b>IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO MAKE TARIFF MODIFICATIONS TO CHARGE TRANSPORTATION CUSTOMERS FOR SUPPLIER-NON-GAS SERVICES</b></p>	<p><b>Docket No. 14-057-31</b></p> <p><b>SURREBUTTAL TESTIMONY OF MATTHEW MEDURA OF CIMA ENERGY LTD</b></p>
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CIMA ENERGY LTD hereby submits the Prefiled Surrebuttal Testimony of  
Matthew Medura in this docket.

DATED this 14<sup>th</sup> day of August 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 14<sup>th</sup> day of August 2015 on the following:

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/s/ \_\_\_\_\_

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

**Surrebuttal Testimony of  
MATTHEW MEDURA**

**On behalf of  
CIMA ENERGY LTD**

**Docket No. 14-057-31**

**August 14, 2015**

1 **INTRODUCTION**

2 **Q. Are you the same Matthew Medura who submitted direct testimony and rebuttal**  
3 **testimony on behalf of CIMA ENERGY LTD in this docket?**

4 A. Yes, I am.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. I will respond to rebuttal testimony filed by Questar Gas Company witnesses William  
7 F. Schwarzenbach and Kelly B. Mendenhall.

8

9 **RESPONSE TO REBUTTAL TESTIMONY OF WILLIAM F. SCHWARZENBACK**

10 **Q. What is your general reaction to Mr. Schwarzenbach’s rebuttal testimony?**

11 A. I understand Mr. Schwarzenbach’s argument that operational concerns may potentially  
12 arise from a mismatch of system supply and demand, and I also note that the frequency  
13 of restriction notices issued by the Company has increased since this proposal was  
14 filed. However I do not agree with his suggestion that the activities of Transportation  
15 Customer Agents caused recent heating season “confusion and penalties” (lines 27-  
16 29) or that such activities are a significant daily concern at the individual customer  
17 level. His testimony is singularly focused on individual customer behavior – he uses  
18 two examples of small customers relative to the size of the of the Transportation class  
19 – even though the Company itself aggregates its sales customers. He refers to my  
20 direct testimony regarding imbalance aggregation out of context in an effort to support  
21 his argument that Agent nominating practices are a leading cause of operational  
22 problems.

23 While I disagree with his argument that Agent nomination practices create significant  
24 operational problems, current and future practices of Agents may be a proper topic of  
25 discussion within the Working Group proposed by the Division of Public Utilities.  
26 Ultimately, if more accurate nominations represent an important goal, further  
27 discussions of nomination and imbalance practices at the Agent level could further that  
28 goal within the context of current tariff language and the electronic nominating system  
29 operated by the Company.

30 **Q. Mr. Schwarzenbach claims that you admitted that your company’s “normal**  
31 **practice” was to adjust only the nominations of a few large customers to**  
32 **manage supply (lines 124-25). How do you respond?**

33 A. I made no such admission. My direct testimony quoted by Mr. Schwarzenbach in lines  
34 103-105 of his rebuttal is taken out of context. In that section of my testimony I was  
35 referring only to adjustments during an OFO restriction period -- a time when  
36 restrictions apply to the nominating agent in aggregate, rather than to individual  
37 customers.

38 **Q. Mr. Schwarzenbach alleges that nominations cannot be managed “in aggregate”**  
39 **as you proposed in your direct testimony. How do you respond?**

40 A. That is simply not the case. Moreover, in making that argument, Mr. Schwarzenbach  
41 appears to either misunderstand or misrepresent my testimony by suggesting that I am  
42 recommending that Agents be allowed to make a single nomination for all their  
43 customers:

44 If aggregation were allowed, it would be impossible for the Company to inform  
45 each customer of the actual amount of gas it is allowed to use on any given day  
46 (scheduled quantity). This would create confusion during curtailment events  
47 and make it difficult to manage these situations.

48 This practice would also make it impossible for Questar Gas to determine  
49 penalties for usage in excess of supply by these customers, when there is no  
50 accurate nomination data for each customer. (lines 244-250)

51 My recommendation was not that agents be allowed to make one aggregated  
52 nomination; I agree that nominations should be made for each individual transportation  
53 customer. Rather, my recommendation was that daily imbalances of the disputed costs  
54 for transportation customers can be calculated and applied at the Agent level in  
55 aggregate -- as it is currently done for commodity imbalances during OFO periods.  
56 This practice is long established and works efficiently for the Company, for the Agents  
57 and for the transportation customers. Moreover, I would note that Questar Gas itself  
58 aggregates imbalances of many thousands of sales customers, yet it remains  
59 adamantly opposed to aggregation at the Agent level.

60 **Q. Mr. Schwarzenbach alleges there are challenges associated with aggregation**  
61 **due to different geographical receipt points of TS Customers (lines 253-57). How**  
62 **do you respond?**

63 A. It may be that some daily operational considerations may be relevant when looking at  
64 the aggregate imbalance of a group of geographically diverse customers. One solution  
65 would be to allow aggregation by receipt point or other mutually agreeable criteria. I  
66 note that commodity imbalance reconciliation and trading following an OFO are  
67 currently done after the fact and without regard to different receipt points or geographic  
68 locations, as is monthly commodity balancing. There is no good reason why the same

69 cannot be done for the costs at issue here. Again, these are issues that would benefit  
70 from further discussion and collaboration in the context of a Working Group as  
71 proposed by the Division of Public Utilities.

72 **Q. Mr. Schwarzenbach suggests that the current imbalance restriction provisions**  
73 **in the Tariff may not provide an effective incentive to manage daily nominations**  
74 **because of aggregation and trading (lines 278-282), and that these provisions**  
75 **should thus be removed (lines 285-86). How do you respond?**

76 A. I strongly disagree. The current penalty for out-of-tolerance commodity imbalances  
77 during OFO restrictions is a minimum of \$1.00/Mmbtu, a severe penalty much higher  
78 than the proposed balancing cost proposed in this docket. Precisely because of  
79 aggregation and the allowance for trading among nominating agents, CIMA has been  
80 successful at minimizing penalties on its customers even as the frequency of restriction  
81 notices has increased. CIMA immediately forwards the notices to all customers and  
82 requests a reply if usage is expected to deviate significantly from recent levels. If timely  
83 notice is not received and a penalty remains after imbalance trading is allowed, a  
84 customer may share in an allocation of any remaining penalty. I believe the current  
85 tariff language is sufficient to incentivize pro-active communication between customers  
86 and Agents for more accurate nominations during restriction periods issued by the  
87 Company.

88 **Q. Mr. Schwarzenbach also argues that additional tariff language changes would**  
89 **be necessary to implement the “flat rate” proposal put forth by Division witness**  
90 **Mr. Wheelwright. How do you respond?**

91 A. It may be that the change in language proposed by Mr. Schwarzenbach would give the  
92 company better information on current day operational status, but moving the notice  
93 deadline to the “last nomination deadline” from the “first nomination deadline” would  
94 be unreasonable. The Cycle 4 deadline at 4 PM Mountain Time for the current gas day  
95 is extremely illiquid and long or short out of tolerance positions are not likely to be  
96 resolved if his proposed language change were adopted.

97 **RESPONSE TO DIRECT TESTIMONY OF KELLY B. MENDENHALL**

98 **Q. What is your general reaction to Mr. Mendenhall’s rebuttal testimony?**

99 A. I agree with Mr. Mendenhall that balancing issues were previously discussed in other  
100 related dockets and forums. However, it is my recollection that the imbalance issue  
101 was a minor issue in the context of significant nominating procedure changes that were  
102 being proposed, and that were ultimately settled in a previous Docket. I am confident  
103 that the perceived problem of greater accuracy in nominations and the allocation of  
104 upstream costs to transportation customers can and should be resolved and mitigated  
105 through more frequent collaboration and communication between nominating parties  
106 and the Company’s gas supply group. The Working Group proposed by the Division  
107 may be a good starting point for identification of the specific practices all parties can  
108 undertake to best manage customer groups, and to evaluate how more frequent  
109 communication can improve nominating accuracy.



110 **Q. Mr. Mendenhall disagrees with your proposed netting of Transportation and**  
111 **Sales customer imbalances when they are opposite (lines 290-300). How do you**  
112 **respond?**

113 A. The company acknowledges that its No-notice service balances the system each day  
114 automatically, meaning that a single adjustment is made for both Transportation and  
115 Sales customers combined. These imbalances are automatically netted, so they  
116 should also be netted for purposes of calculating or assessing any charges. I have  
117 seen no evidence that two separate No-notice adjustments are made for each  
118 customer class, as the example on lines 292-298 appears to imply.

119 **Q. Can you summarize your surrebuttal testimony and any recommendations for**  
120 **resolving the issues at hand?**

121 A. Yes. I am confident that reasonable solutions are available to any legitimate  
122 operational concerns caused by Transportation Customer daily imbalances.  
123 Imbalance aggregation is the industry standard and should be allowed at the agent  
124 level so that transportation customers may share in the same efficiencies the  
125 Company does. Existing tariff language and penalties are sufficient to provide strong  
126 incentives to provide more accurate nominations during legitimate situations of  
127 operational constraint. Further collaboration and more frequent communication  
128 between the Company's gas supply and nominating system departments and  
129 Transportation Customers and their Agents are warranted to explore ways to improve  
130 the accuracy of nominations and to better understand and verify the alleged costs  
131 that should be assigned to Transportation Customers.

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

133 **A. Yes.**