

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

* * *

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

~~~~~  
HEARING PROCEEDINGS  
PRESIDING OFFICER THAD LAVAR  
~~~~~

TAKEN AT: Public Service Commission
 Hearing Room 403
 160 East 300 South
 Salt Lake City, Utah

DATE: Wednesday, August 26, 2015

TIME: 9:00 a.m.

REPORTED BY: Clark L. Edwards, Utah CSR #109221-7801

Job no. 250887

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1	I N D E X	
2	WITNESSES AND EXAMINATIONS	Page
3	KELLY MENDENHALL	
4	DIRECT BY MS. CLARK	15
	CROSS BY MS. SCHMID	24
5	CROSS BY MR. DODGE	30
	REDIRECT BY MS. CLARK	83
6	RECROSS BY MR. DODGE	90
	COMMISSIONER WHITE	92
7	COMMISSIONER CLARK	93
	CHAIRMAN LAVAR	96
8		
9	WILLIAM SCHWARZENBACH	
	DIRECT BY MS. CLARK	99
10	CROSS BY MS. SCHMID	105
	CROSS BY MR. DODGE	111
11	COMMISSIONER CLARK	129
	CHAIRMAN LAVAR	133
12		
13	GAVIN MANGELSON	
	DIRECT BY MR. OLSEN	135
14	CROSS BY MS. SCHMID	137
15	JEROME B. MIERZWA	
16	DIRECT BY MR. OLSEN	139
	CROSS BY MR. DODGE	142
17	CHAIRMAN LAVAR	165
18	DOUGLAS D. WHEELWRIGHT	
19	DIRECT BY MS. SCHMID	167
	CROSS BY MR. OLSEN	175
20	CROSS BY MR. DODGE	175
	CROSS BY MR. WILLIAMS	179
21	COMMISSIONER CLARK	180
22		
23		
24		
25		

1	I N D E X	
2	(Continued)	
3	WITNESS	Page
4	MICHAEL R. MCGARVEY	
5	DIRECT BY MR. WILLIAMS	182
6	CROSS BY MS. SCHMID	190
7	CROSS BY MR. OLSEN	194
8	CROSS BY MS. CLARK	196
9	COMMISSIONER CLARK	202
10	MICHAEL MEDURA	
11	DIRECT BY MR. DODGE	205
12	CROSS BY MS. SCHMID	208
13	CROSS BY MS. CLARK	210
14	CROSS BY MR. DODGE	211
15	CHAIRMAN LAVAR	211
16	JEFF FISHMAN	
17	DIRECT BY MR. DODGE	212
18	CHAIRMAN LAVAR	219
19	KEVIN C. HIGGINS	
20	DIRECT BY MR. DODGE	220
21	CROSS BY OLSEN	227
22	CROSS BY MS. CLARK	228
23	ROGER SWENSON	
24	DIRECT BY MR. DODGE	230
25	CROSS BY MR. OLSEN	223

E X H I B I T S				
	NUMBER	DESCRIPTION	MARK	ADMIT
1	QGC			
2	EXHIBIT 1.0	Direct Testimony of	17	17
3		Kelly B. Mendenhall		
4	QGC			
5	EXHIBIT 1.0R	Rebuttal Testimony of	17	17
6		Kelly B. Mendenhall		
7	QGC			
8	EXHIBIT 1.0SR	Surrebuttal Testimony	17	17
9		of Kelly B. Mendenhall		
10	DPU Cross			
11	EXHIBIT 1	Questar Gas Company Tariff	25	25
12	UAE Cross			
13	EXHIBIT 1	Questar Gas Customer Agency	78	--
14		Assignment Agreement		
15	QGC			
16	EXHIBIT 2.0R	Surrebuttal Testimony of	101	101
17		William F. Schwarzenbach		
18	QGC			
19	EXHIBIT 2.0SR	Surrebuttal Testimony of	101	101
20		William F. Schwarzenbach		
21	EXHIBIT OCS 2R	Rebuttal Testimony	136	136
22		of Gavin Mangelson		
23	EXHIBIT OCS 1D	Direct Testimony (Amended)	140	140
24		of Jerome Mierzwa		
25	EXHIBIT OCS 1S	Surrebuttal Testimony	140	140
26		of Jerome Mierzwa		
27	Cross X			
28	EXHIBIT UAE 2	Southwest Gas Corporation	145	145
29		Natural Gas Transportation		
30	Cross X			
31	EXHIBIT UAE 3	Vectren Energy Nomination	146	204
32		and Balancing Provision		
33	Cross X			
34	EXHIBIT UAE 4	Direct Testimony Excerpts	154	166
35		of Jerome D. Mierzwa		
36	DPU EXHIBIT 1.0D	Douglas D. Wheelwright	168	168
37		Direct Testimony		
38	DPU EXHIBIT 1.0D	Douglas D. Wheelwright	168	168
39		Surrebuttal Testimony		

E X H I B I T S (Continued)				
	NUMBER	DESCRIPTION	MARK	ADMIT
1				
2				
3	EXHIBIT SE 1	Direct Testimony of	184	184
4		Michael R. McGarvey		
5	EXHIBIT SE 1	Direct Testimony of	184	184
6		Michael R. McGarvey		
7	EXHIBIT OSC 3	Cost-of-Service-Gas	205	205
8	CIMA EXHIBIT 1.0	Direct Testimony of Matthew Medura	205	205
9	CIMA EXHIBIT 1.0R	Rebuttal Testimony of Matthew Medura	205	205
10	CIMA EXHIBIT 1.0SR	Surrebuttal Testimony of Matthew Medura	205	205
11	UAE/Nucor/CIMA EXHIBIT 2.0	Direct Testimony of Jeff J. Fishman	213	213
12	UAE/Nucor/CIMA EXHIBIT 2.0R	Rebuttal Testimony of Jeff J. Fishman	213	213
13	UAE/Nucor/CIMA EXHIBIT 2.0SR	Surrebuttal Testimony of Jeff J. Fishman	213	213
14	UAE/Nucor/CIMA EXHIBIT 1.0	Direct Testimony of Kevin C. Higgins	221	221
15	UAE/Nucor/CIMA EXHIBIT 1.0R	Rebuttal Testimony of Kevin C. Higgins	221	221
16	UAE/Nucor/CIMA EXHIBIT 1.0SR	Surrebuttal Testimony of Kevin C. Higgins	221	221
17	US Mag EXHIBIT 1.0	Direct Testimony of Roger J. Swenson	231	231
18	US Mag EXHIBIT 1.0R	Rebuttal Testimony of Roger J. Swenson	231	231
19	US Mag EXHIBIT 1.0SR	Surrebuttal Testimony of Roger J. Swenson	231	231
20				
21				
22				
23				
24				
25				

1 P R O C E E D I N G S

2 CHAIRMAN LAVAR: Okay. Good morning.

3 This is the time and place for the hearing
4 in the Matter of the Application of Questar Gas Company
5 to Make Tariff Modifications to Charge Transportation
6 Customers for use of Supplier-Non-Gas Services.

7 This is Public Service Commission Docket Number
8 14-057-31. I'm Thad Lavar. To my right is Commissioner
9 David Clark and to my left is Commissioner Jordan White.
10 We welcome Jordan White to the Commission. This is his
11 first hearing since his appointment. So, we're thrilled
12 to have him joining us in this new capacity.

13 We have a few preliminary matters to deal with,
14 but we'll take appearances first.

15 And I would also note, the court reporter has
16 reminded me to ask everyone to do their best to speak
17 slowly so we can get an accurate and good record of this
18 proceeding today. So, I'll pass that on.

19 We'll start with appearances from the
20 applicant.

21 MS. CLARK: Thank you. My name is Jennifer
22 Clark. I'm the attorney for Questar Gas Company. And I
23 have with me a number of people. The two that you will
24 be speaking with today are the witnesses from whom you've
25 seen testimony. To my right is Mr. William Schwarzenbach

1 and to his right is Kelly Mendenhall.

2 MS. SCHMID: Good morning. Patricia E. Schmid
3 with the Attorney General's Office on behalf of the
4 Division of Public Utilities. The Division's witness
5 Douglas D. Wheelwright is here today and is seated
6 on my left.

7 MR. OLSEN: Rex Olson on behalf of the Office
8 of Consumer Services. And we will have two witnesses
9 today, Gavin Mangelson who has submitted testimony and
10 Jerome Mierzwa who is sitting on my right.

11 CHAIRMAN LAVAR: Thank you.

12 MR. DODGE: Gary Dodge on behalf of UAE as well
13 as CIMA and US Magnesium. We have all the witnesses that
14 have appeared for those witnesses in the room -- that
15 will attend and testify personally.

16 And we've requested that Roger Swenson
17 on behalf of US Magnesium be allowed to testify
18 telephonically. And I've mentioned this to staff for the
19 Commission. But he's available either any time between
20 four and five this afternoon or anytime tomorrow morning
21 if this goes into tomorrow. We would request that he be
22 allowed to testify by phone at one of those times.

23 CHAIRMAN LAVAR: Okay. Thank you.

24 MR. COOK: Jeremy Cook on behalf of Nucor State
25 of Utah. We have the same witnesses.

1 THE HEARING OFFICER: Okay.

2 MR. WILLIAMS: Larry Williams on behalf of
3 Summit Energy. Mike McGuire (sic) is here with us today
4 also.

5 MR. OLSEN: Excuse me.

6 Is that McGuire or McGarvey?

7 MR. WILLIAMS: I'm sorry. McGarvey.

8 CHAIRMAN LAVAR: Okay. Thank you.

9 Our next matter is the pending motion. We have
10 a motion from the Office of Consumer Services, and we
11 have responses to that motion filed by the Division of
12 Public Utilities and Questar Gas.

13 We'll take a brief moment if the parties desire
14 to comment further on what they have submitted on the
15 motion. And as we do that, I want to start out with one
16 question to Mr. Olsen.

17 You cited an administrative rule that supports
18 the policy of avoiding unnecessary cross-examination.

19 Are you aware of any other statutes or rules
20 more specifically on point to this matter?

21 MR. OLSEN: I am not, Commissioner. And that
22 is part of the conundrum. We don't really have any --
23 I couldn't find anything in either the rules or a
24 applicable statute regarding -- the way this hearing must
25 be undertaken. It's simply a matter of the normal

1 procedures the commissions typically undertake.

2 CHAIRMAN LAVAR: Okay. Do you have anything
3 else you want to add to your motion?

4 MR. OLSEN: No, Your Honor. I think it speaks
5 for itself.

6 CHAIRMAN LAVAR: Okay.

7 Ms. Clark, do you have --

8 MS. CLARK: The Company would just rely on what
9 was submitted in its pleading and has nothing to add.
10 Thank you.

11 CHAIRMAN LAVAR: Okay. Ms. Schmid?

12 MS. SCHMID: The Division, too, will rely upon
13 what is stated in its pleading.

14 CHAIRMAN LAVAR: Okay. Thank you.

15 Mr. Williams?

16 MR. WILLIAMS: Yes.

17 CHAIRMAN LAVAR: Would you like to add anymore
18 to the response we received yesterday?

19 MR. WILLIAMS: I did submit a response
20 yesterday. I think that it fairly clearly states our
21 argument. I do want to make a point of one mistake that
22 I did make which was the date on that.

23 On that I actually put today's date on there
24 by mistake when it was actually filed yesterday.

25 CHAIRMAN LAVAR: Okay. Do either Mr. Dodge

1 or -- and I'm sorry. I didn't write your name down when
2 you said it.

3 MR. COOK: Jeremy Cook.

4 CHAIRMAN LAVAR: Jeremy Cook. Okay.

5 Do either of you have any comment on the
6 pending motion?

7 MR. DODGE: If I might -- and you know me.
8 I can't -- I can't pass up an opportunity to talk.

9 I guess I would just point out that although
10 it's probably obvious to those of us who are here on a
11 regular basis what the Commission means when it says
12 in the scheduling order, direct rebuttal, sir rebuttal,
13 it isn't necessarily obvious to people who aren't here on
14 a regular basis. And this was a very unusual scheduling
15 order in that it went Company and intervenors, then
16 Division and Office and then rebuttal and surrebuttal.

17 It may behoove us in the future as I know in
18 some scheduling orders this Commission has done in the
19 past to actually state, response to testimony filed on
20 this date is due, responsive testimony filed on that date
21 is due as opposed to just using the word "surrebuttal"
22 and "rebuttal" because I believe as they pointed out in
23 their brief that they believed they were filing to
24 surrebuttal to rebuttal filed in what was called direct
25 testimony. So, I think it's easy to see the mistake and

1 I think the Commission ought to recognize that those that
2 don't practice here all the time may not have understood
3 the order they were supposed to go in.

4 CHAIRMAN LAVAR: Thank you.

5 MR. OLSEN: Commissioner, if I may. I just had
6 one thing. The Office did not mean to repute any kind of
7 ill motive to Mr. McGarvey. It was simply the result of
8 how he did some things that created the problem for us.

9 CHAIRMAN LAVAR: Mr. Cook, did you have
10 anything else to add?

11 MR. COOK: I don't have anything, Commissioner.

12 MR. WILLIAMS: Let me just respond real
13 quickly. We believe that we actually followed the order
14 as it was written as I stated in the brief.

15 Very specifically, I went back to look at the
16 order to make sure that what the order actually said is
17 what it -- what we did. And we do believe that we
18 followed the order as it was written.

19 CHAIRMAN LAVAR: Let me just see if we need a
20 moment to deliberate.

21 (Discussion off the record)

22 CHAIRMAN LAVAR: We're going to deny the motion
23 to strike. The filing of written testimony certainly
24 improves the efficiency and the process that we use to
25 get through our hearings.

1 We don't see this issue as one that is a legal
2 basis for the exclusion of evidence in this hearing.

3 However, we recognize the issues raised by
4 those who raised the objections. And so, what we're
5 going to allow is the applicant, the Division, and the
6 Office may have any of their witnesses address the issues
7 raised in Mr. McGarvey's surrebuttal either during their
8 presentations or if any of those three parties want to
9 recall a witness following Mr. McGarvey, we'll allow
10 that. And that's the way we'll move forward on this
11 issue. Thank you.

12 MR. OLSEN: Thank you.

13 MS. SCHMID: Thank you.

14 CHAIRMAN LAVAR: The only other clearing matter
15 I'm aware of is order of presentations and order of
16 cross-examinations.

17 It seems there might be some benefit in this
18 case in the interest of keeping parties with similar
19 positions presenting and cross-examining consequentially
20 to have the order of presentations be the applicant first
21 then the Office of Consumer Services then the Division of
22 Public Utilities.

23 And then we also need to deal with what order
24 the other intervenors will go in, but with respect to
25 this matter, are there any thoughts or objections to that

1 order of presentation?

2 MR. OLSEN: We'll be happy to comply with that.

3 MS. SCHMID: The Division is fine with it as
4 well.

5 CHAIRMAN LAVAR: Okay. Mr. Dodge,
6 Mr. Williams, and Mr. Cook, in terms of order of
7 presentation for the other intervening parties --

8 You mentioned you have one on the phone with
9 some time limitations.

10 Are there any other preferences with respect
11 to order of presentation?

12 MR. DODGE: I don't think in particular.
13 I think we're prepared to go in any order. There are
14 some scheduling considerations among the witnesses
15 at this table, for the parties at this table.

16 And so, it'll depend a little on where we are
17 and whether we're going to finish today or move into
18 tomorrow. But if we may, we would let you know as we get
19 a little further in in exactly which order.

20 It's likely that we will start with either
21 Mr. McGarvey or Mr. Medura and then again fit Mr. Swenson
22 in when we can on the phone and then Mr. Fishman and then
23 Mr. Higgins and in perhaps that order.

24 But again, scheduling considerations may shift
25 one or more of those around.

1 CHAIRMAN LAVAR: Okay. Well, when we get to
2 that point, then I'll just turn to the three of you and
3 see where we are.

4 MR. DODGE: In terms of cross-examination,
5 I assume we'll just go down the table, but if either of
6 them wants to go first, I'm happy to allow that, too.

7 CHAIRMAN LAVAR: Is that amenable to all three
8 of you?

9 (No objections expressed)

10 CHAIRMAN LAVAR: Okay. Any other preliminary
11 matters that we've missed?

12 (No verbal response)

13 CHAIRMAN LAVAR: Okay. Ms. Clark, you may call
14 your first witness.

15 MS. CLARK: Thank you. The Company would call
16 Kelly B. Mendenhall as its first witness.

17 CHAIRMAN LAVAR: Mr. Mendenhall, do you swear
18 to tell the truth?

19 THE WITNESS: Yes.

20 CHAIRMAN LAVAR: Thank you.

21 KELLY MENDENHALL,
22 having first been duly sworn, was
23 examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MS. CLARK:

1 Q. Mr. Mendenhall, would you please state your
2 full name and your business address for the record?

3 A. Yes. I'm Kelly B. Mendenhall, and I work for
4 Questar Gas Company at 333 South State Street, Salt Lake
5 City, Utah.

6 Q. What position do you hold with the company?

7 A. I'm the director or regulatory affairs.

8 Q. Mr. Mendenhall, I want to direct your attention
9 to the testimony you filed in this matter, Questar Gas
10 Company Exhibit 1.0, the Direct Testimony of Kelly
11 Mendenhall with attached Exhibits 1.1 through 1.4.
12 And that was filed on December 18th, 2014;

13 Questar Gas Company Exhibit 1.0R, the Rebuttal
14 Testimony of Kelly B. Mendenhall with attached
15 Exhibits 1.1R that was filed on July 31st, 2015;

16 And Questar Gas Company Exhibit 1.0SR, the
17 Surrebuttal Testimony of Kelly B. Mendenhall with an
18 attached Exhibit 1.1SR filed on August 14th, 2015.

19 Are you familiar with these documents?

20 A. Yes.

21 Q. Were they prepared by you or under your
22 direction?

23 A. Yes, they were.

24 Q. If you were asked the questions contained in
25 that testimony today, would the responses be the same?

1 A. Yes.

2 MS. CLARK: The Company would move for the
3 admission of the documents identified.

4 CHAIRMAN LAVAR: Is there any objection to that
5 admission of the direct, rebuttal, and surrebuttal
6 testimony of Mr. Mendenhall? Mr. Olsen?

7 MR. OLSEN: No objection.

8 CHAIRMAN LAVAR: Ms. Schmid?

9 MS. SCHMID: No objection.

10 MR. DODGE: No objections.

11 CHAIRMAN LAVAR: Okay. It's admitted.

12 Thank you.

13 (QGC Exhibit 1.0, QGC Exhibit 1.0R,
14 QGC Exhibit 1.0SR marked and admitted)

15 BY MS. CLARK:

16 **Q. Thank you. Mr. Mendenhall, can you please**
17 **summarize the contents of your testimony and the relief**
18 **the company is seeking in this matter?**

19 A. Sure. There are two objectives the company
20 is trying to accomplish in this docket.

21 First, the company seeks to assign cost to
22 transportation customers for the upstream balancing
23 services they use on the system that are currently being
24 paid for by sales customers.

25 Second, the company seeks to incent customers

1 and their agents to improve their daily nominations.
2 The Company has proposed a transportation and balance
3 charge that will charge customers for the services they
4 use and it should give them a financial incentive to more
5 accurately make daily nominations.

6 In my direct testimony, I determined that
7 transportation customers use Questar Gas's upstream
8 transportation, no notice and storage contracts to remedy
9 daily imbalances and that the cost of those services
10 amounted to 1.7 million.

11 The 1.7 million in costs that was calculated
12 in my testimony was supported by the Office and the
13 Division. Mr. Higgins disagreed with the calculation
14 asserting that an imbalance charge should be assessed
15 only after certain adjustments have been made.

16 As a result, the proposed adjustments would
17 reduce the overall amount that the transportation
18 customers would be charged.

19 The result of these adjustments reduces the
20 calculated cost of these services by 80 percent from
21 1.7 million to 337,000.

22 If these adjustments are accepted, it will
23 result in transportation customers not paying for all
24 of the cost of the services that they use.

25 The first adjustment is the issue of upstream

1 transportation and fuel.

2 On any given day, transportation customers will
3 either be over delivered or under delivered. In the case
4 of an over delivery, there will be excess gas at the
5 city gate and the transportation customers will rely
6 on the upstream transportation contract of the sales
7 customers to absorb that excess gas.

8 In the case of an under delivery, not enough
9 gas will be delivered to meet the needs of customers on a
10 given day and additional gas must be delivered to the
11 city gate using the upstream transportation contract of
12 Questar Gas.

13 In both the case of an under delivery and an
14 over delivery, Questar Gas must use its upstream
15 transportation contract to remedy the imbalance.
16 Thus, it is appropriate to include this cost
17 in the rate calculation.

18 The next issue is the adjustment to net
19 transportation customer volumes with the sales customer
20 volumes. Some intervenors argue that on days when
21 transportation customer imbalances and sales customer
22 imbalances are netted, the transportation volume and
23 balances should be reduced because the upstream services
24 aren't physically being used.

25 I disagree with this approach because Questar

1 Gas is still providing a service to transportation
2 customers by managing their imbalance.

3 Whether Questar Gas uses its upstream service
4 contracts or offsets the transportation customer
5 imbalances using sales volumes, the transportation
6 customer imbalances have been eliminated for the day
7 and transportation customers should be required to pay
8 for that service. This is consistent with the way
9 interstate pipeline rates are calculated.

10 The last major rate issue of disagreement
11 is the issue of a line pack. Mr. Higgins and Mr. Swenson
12 argue that the system has a certain level of flexibility
13 due to line pack and I have not made some sort of
14 adjustment for this flexibility in my calculation.

15 Questar Gas does not have a substantial amount
16 of line pack on its system. No evidence has been
17 provided by any witness that there is five percent line
18 back on the system.

19 For accounting purposes, there is no line pack
20 cost included on the company's books and for regulatory
21 purposes there is no line pack included in the rate base.

22 On the pipeline side, when Questar Gas has an
23 imbalance, that entire imbalance is remedied by the
24 upstream transportation, no-notice transportation, and
25 storage services.

1 The pipeline does not allow a five percent
2 tolerance before these services are used. Thus, if this
3 adjustment were allowed, the first five percent of
4 imbalance volumes used by transportation customers would
5 continue to be subsidized by sales customers.

6 An issue that was raised by Mr. McGarvey and
7 Mr. Medura was the use of market price gas versus the
8 weighted average cost of gas to calculate the fuel gas
9 reimbursement.

10 In this case I used the weighted average cost
11 of gas because it represents the actual cost of fuel that
12 sales customers pay. Any charge other than the WACOG
13 rate would not correctly reflect this actual cost.

14 There is also a difference in opinion on how
15 the rates should be assessed. The Company proposes that
16 the rate be directly assessed to each customer on the
17 volumes outside of a five percent imbalance tolerance.

18 This five percent tolerance came from feedback
19 the Company received from working groups.

20 The proposal from some of the other parties is
21 that a flat rate should be used. While the flat rate is
22 easier to assess and understand, it will not change
23 customers' behavior.

24 The company has concerns that incorrect daily
25 nominations could lead to operational issues and lead to

1 higher penalties for transportation customers if supply
2 curtailments occur.

3 When considering customer behavior, the direct
4 assessment is the better option because it will send a
5 price signal to customers when they are out of balance.

6 Some additional issues have been raised in this
7 proceeding that I will brief address in this summary
8 including the argument an additional workgroup is
9 necessary to solve these issues.

10 At the beginning of this docket, a scheduling
11 conference was held and all parties were present.
12 A rather lengthy schedule was set that allowed for
13 discovery and for the parties to explain their points of
14 view. That process will conclude with these hearings.

15 The Company has confidence in the regulatory
16 process. And there is enough evidence on the record
17 for the Commission to make a decision.

18 The disagreement of whether customers should be
19 required to nominate accurately on a daily basis is a
20 particularly contentious issue the parties have been
21 trying to resolve for over two years now.

22 A Commission directive on this issue in
23 particular will give parties some clarity going forward.

24 While the issue of aggregation has been briefly
25 raised in this case, there is no proposal before the

1 Commission that clearly explains how the rate will be
2 calculated or assessed.

3 I have already aggregated the transportation
4 volumes in the calculation of the rate and aggregating
5 them again during the assessment of the rate would result
6 in double counting and continued free balancing services
7 for transportation customers.

8 Some intervenors have also brought up the issue
9 of additional metering. There are two types of
10 transportation customers on a Questar Gas system.

11 We have industrial customers who use natural
12 gas for processes and weather-sensitive customers who use
13 natural gas for space heat.

14 In the case of an industrial customer, most of
15 them probably know how much gas their process is used and
16 usage estimation is possible without realtime monitoring.

17 For the weather-sensitive customers, realtime
18 monitoring won't help predict what the weather will be
19 the next day.

20 In both cases, it is unlikely that investing in
21 expensive measurable data will help greatly improve
22 nominations.

23 As a review of the data in QGC Exhibit 1.3
24 shows, currently most customers change their nominations
25 weekly or monthly.

1 A review of the data indicates that a better
2 solution for improved nominations would be for customers
3 and their agents to nominate on a daily basis rather than
4 make additional investments on realtime measuring
5 equipment.

6 There's been discussion about the five percent
7 imbalance tolerance that the company has proposed. This
8 is consistent with the daily tolerance limits already
9 outlined in the tariff and the higher tolerance amount
10 will result in customers not paying for the upstream
11 balancing services they use.

12 That summarized what I believe to be the major
13 issues in the case.

14 The Company respectfully asks the Commission
15 to find that the assessment of a transportation imbalance
16 charge to transportation customers is just and reasonable
17 and in the public interest and to accept the company's
18 rate design proposal.

19 MS. CLARK: Mr. Mendenhall is available for
20 cross-examination.

21 CHAIRMAN LAVAR: Thank you. Mr. Olsen?

22 MR. OLSEN: No cross.

23 CHAIRMAN LAVAR: Ms. Schmid?

24 CROSS-EXAMINATION

25 BY MS. SCHMID:

1 **Q. Yes. Good morning.**

2 A. Good morning.

3 MS. SCHMID: I have some questions about the
4 existing tariff provision that has the plus or minus five
5 percent basis in it.

6 To assist in my questioning, may I approach the
7 witness and hand out copies of this tariff provision?

8 CHAIRMAN LAVAR: Yes.

9 BY MS. SCHMID:

10 **Q. Mr. Mendenhall, will you accept subject to**
11 **check that what I have handed you is tariff provisions**
12 **taken directly from the Questar.com Web site for**
13 **Questar Gas?**

14 A. Yes.

15 MS. SCHMID: Thank you. Could we please mark
16 this DPU Cross Exhibit-1?

17 CHAIRMAN LAVAR: Any objection to entering this
18 as an exhibit?

19 MS. CLARK: No. Thank you.

20 (DPU Cross Exhibit 1 marked and admitted)

21 MR. OLSEN: Is there a copy that we might have?

22 BY MS. SCHMID:

23 **Q. Yes. Sorry. We've talked a little bit about**
24 **transportation customers and about Questar Gas's firm**
25 **sales service customers.**

1 **With regard to those firm sales customers,**
 2 **what does Questar Gas do when a plus or minus tolerance**
 3 **level is imposed?**

4 A. Are you talking about sales customers or
 5 transportation customers?

6 **Q. Sales customers. What does Questar do for its**
 7 **own sales customers when there is a plus or minus five**
 8 **percent imbalance imposed?**

9 A. Well, Questar Gas has purchased services
 10 to help balance the -- or take care, to remedy the
 11 imbalances of sales customers.

12 So, when they put a five percent, a plus or
 13 minus five percent tolerance, it's on transportation
 14 customers and it's because there's supply constraints
 15 or concerns on the system.

16 **Q. So, sales customers do not have to change their**
 17 **behavior at all?**

18 A. Correct, because Questar Gas has gone out and
 19 purchased no-notice upstream transportation and storage
 20 services on a firm basis for these customers to help
 21 manage those imbalances.

22 That's a high-level answer. If you want to get
 23 into more detail, I would refer you to Mr. Schwarzenbach
 24 because he's the expert on that subject.

25 **Q. I might be brave enough to go there.**

1 How often has Questar Gas imposed that plus or
2 minus five percent tolerance level upon transportation
3 customers in the last year?

4 A. Are you talking about putting them on a
5 restriction?

6 Q. Yes.

7 A. I -- I cannot give you a number. I will tell
8 you it's probably increased over the last couple of years
9 more than it has been in the past.

10 Q. Can you recall if, when it has been imposed it
11 has been imposed on a monthly or a daily basis?

12 A. It's been imposed on a daily basis with the
13 customers being allowed to trade their imbalances away.

14 Q. If we could turn to DPU Cross Exhibit 1 to
15 Section 5.01. If we look at the bottom of the page, it
16 says: "In the event that the Company incurs fees,
17 charges or costs as a result of the transportation
18 of a customer's gas to the Company's distribution
19 system by an upstream pipeline the Company will
20 provide a statement of such charges or costs.

21 "The customer will reimburse the Company for
22 all fees, charges or costs associated with such
23 transportation."

24 Did I read that correctly?

25 A. I think you did.

1 Q. How often has the company imposed reimbursement
2 requirements on customers pursuant to 5.01?

3 A. We haven't. That's one of the main purposes
4 of this docket is to start instituting some kind of a
5 charge for those services that are used.

6 Q. It seems like this matter has been under
7 discussion for quite some time.

8 A. Yes.

9 Q. In connection with that, do you recall meeting
10 with the transportation customers during the first half
11 of 2014 about imbalances?

12 A. Yes.

13 Q. Isn't it true that as a result of those
14 meetings, what Questar learned influenced the Company's
15 proposal in this document?

16 A. Absolutely. Yeah. In fact, in those meetings,
17 well, even in all three of those meetings we talked about
18 this charge. We proposed a few different options to the
19 customers, and based on some of their feedback, that's --
20 we used that feedback to develop this rate.

21 Q. But despite the fact that you learned
22 information from those meetings that influenced your
23 decisions and your proposal, you don't want to pursue
24 a workgroup; is that right?

25 A. That's right.

1 **Q. When the Company imposes what I'll call an OFO,**
2 **operational flow order, when is that triggered?**

3 A. Well, so, an operational flow order is also
4 called a daily restriction just so you know. We'll
5 probably use those terms interchangeably.

6 And once again, I'm going to give you a very
7 high-level answer, and you can ask Mr. Schwarzenbach for
8 the actual details because he's the one who issues those
9 OFOs. But it would be -- and the way, if you read in the
10 tariff, it's any time there is an operational or a supply
11 concern, Questar Gas has the ability to issue one of
12 those OFOs or daily restrictions.

13 **Q. And the tolerance level that prompts an**
14 **issuance of an OFO is plus or minus five percent?**

15 A. I know OFO can be -- it could be plus or minus
16 five percent. It can be zero percent. It can be ten
17 percent packing, zero percent drafting. I mean, it just
18 depends on the operational situation that the company's
19 in. So, yeah, it's not just set at plus or minus five
20 percent. It really depends on the situation.

21 **Q. The five percent, though, is what you're asking**
22 **for here as a daily balancing restriction; is that right?**

23 A. Not a daily balancing restriction. I'm giving
24 them a tolerance of five percent on the transportation
25 imbalance charge.

1 So, for -- I mean, the assumption here is that
2 they're using the services every day. And as long as
3 they maintain their imbalance within plus or minus five
4 percent, they won't be charged for those services even
5 though they are using them, but it's kind of --

6 You know, as we -- we talked about the working
7 group. That seemed to be more palatable to the customers
8 that we discussed this with.

9 And so, we did that kind of as a compromise.
10 And I think it's fair because it gives them, you know,
11 some incentive to try and get their nominations in
12 balance.

13 MS. SCHMID: Thank you.

14 CHAIRMAN LAVAR: Is that all, Ms. Schmid?

15 MS. SCHMID: Yes.

16 CHAIRMAN LAVAR: Okay. Mr. Dodge?

17 CROSS-EXAMINATION

18 BY MR. DODGE:

19 Q. Thank you, Mr. Chairman.

20 Good morning, Mr. Mendenhall.

21 A. Good morning.

22 Q. We don't have the pleasure it seems of regular
23 Questar proceedings in this Commission anymore. It seems
24 like they're fairly sporadic. So, I think it's important
25 for us to make sure we all understand what we're talking

1 about. I'm going to ask you some relatively basic
2 questions and hope that you can help.

3 A. Great.

4 Q. First of all, the cost that you're talking
5 about here charging transportation customers for --

6 A. Yes.

7 Q. -- are upstream meaning Questar Pipeline, your
8 upstream affiliate; right?

9 It's services on that part of the pipeline
10 in the form of transportation services, no-notice
11 transportation services, and storage services; correct?

12 A. So, they are contracts that Questar Gas has
13 on the upstream pipeline, Questar Pipeline, to help
14 remedy the imbalances of sales customers.

15 Q. Correct. And all of those services were
16 purchased exclusively 100 percent for the sales
17 customers; correct?

18 A. Correct. And they are being used sometimes
19 by the transportation customers.

20 Q. You have not at any point identified an
21 incremental amount of upstream services that you need
22 to purchase or will purchase for your transportation
23 customers; correct? Is that correct?

24 A. Yes, because the way I proposed this, it would
25 be -- the rate would be available to or the services

1 would be available to transportation customers on an
2 interruptible basis.

3 So, yes, we've created a volumetric
4 reimbursement charge to the sales customers and we will
5 not go out and purchase additional service with the
6 transportation customers.

7 Q. And that maybe lie in contrast to some
8 utilities who actually purchase transportation, either
9 firm or interruptible, and upstream balancing and
10 no-notice services on behalf of their transportation
11 customers. Are you familiar with any utilities that
12 do that?

13 A. I am not, no.

14 Q. If there were no transportation customers
15 on your system, you'd still buy the exact amount of
16 upstream firm services for your GS customers; correct?

17 A. Correct.

18 Q. If there were only transportation customers
19 on your pipeline, if you were only a distribution company
20 and not a gas sales company, you would buy no upstream
21 services; correct?

22 A. Well, so, there's two ways to manage imbalances
23 on the system. And I'm not an expert, so if you want to
24 get into details, you can ask Mr. Schwarzenbach.

25 But ultimately the gas has to be balanced

1 somehow. So, if there were only transportation customers
2 on the system, you'd have two options.

3 One would be to go out and purchase those
4 services. The other would be to physically control the
5 amount of gas that they're using. So, to monitor their
6 usage and when they're short, you call them up and say,
7 you need to go out and buy more gas.

8 And if they kept burning, you actually
9 physically reduce the amount of gas that they use.

10 So, Questar Gas hasn't actually gone out and
11 tried to figure out what we would do in that situation,
12 but those would be the two options available at least
13 from my understanding.

14 Q. Just so you understand, and I can raise this
15 with Mr. Schwarzenbach, but are you familiar with the
16 data response that he made to OCS 3.10 when he was asked,
17 if you had only transportation customers, would you buy
18 upstream services and he said there would be no need
19 but we might have more restrictions?

20 Does that sound about right?

21 A. I believe I read that data request.

22 Q. Okay. So, assuming Mr. Schwarzenbach is
23 correct, you wouldn't buy these services if you only had
24 transportation, but there may be other restrictions you'd
25 have to deal with; right?

1 A. Correct.

2 Q. Is it a fair statement to say that
3 transportation customers have never asked you to go buy
4 upstream balancing services or transportation or other
5 services on their behalf?

6 A. Yes. But they have used them.

7 Q. So, this case, then, in your mind turns on use,
8 not on your traditional cost incurrence, cost causation
9 type allocation of cost; is that a fair statement?

10 A. Well my rate is based on typical pipeline rate
11 design principles. So, I think it is cost based.
12 We're proposing to charge transportation customers for
13 the cost that they would be paying if they were going out
14 on Questar Pipeline and using the same services.

15 Q. Which they've never asked for?

16 A. Correct.

17 Q. So, and again, no incremental costs.

18 And normally, in regulatory proceedings,
19 we're allocating cost based on who causes the cost
20 to be incurred; correct?

21 A. Well, there would be incremental costs. In a
22 lot of cases when Questar Gas uses its contracts either
23 at the basin or on the transportation contract, you've
24 got fuel. You've got injection/withdrawal costs. Those
25 are actually incremental costs that are being paid

1 because of those imbalances.

2 Q. Well, we can talk about that later, but in
3 terms of you buying the services, you've testified you
4 would buy all of the same services regardless of
5 transportation costs?

6 A. Correct.

7 Q. So, we're addressing this from a slightly
8 different perspective than we're used to in this
9 Commission; right? We're talking about the value or the
10 use of services never asked for but provided by the
11 utility. Is that a fair statement?

12 A. Well, in my view the value and the cost are the
13 same. I mean, we've got someone using services. And
14 what I've tried to do is attribute the cost of those
15 services to that customer to reimburse the sales
16 customers for the services that the transportation
17 customer is using.

18 MR. DODGE: And we'll go into that in a minute.
19 I'm going to ask the Commission if I might have an
20 indulgence. I think because this is an issue that we
21 don't deal with very often before the Commission, I'd
22 like to apply my very poor artistic talents and do a
23 little graph on a chart with the chairman's permission --

24 CHAIRMAN LAVAR: Yes.

25 MR. DODGE: -- and then ask Mr. Mendenhall a

1 few questions about it. And subject to your direction,
2 Mr. Chairman, I would think that maybe right here would
3 be the least ...

4 MS. CLARK: If you could move it a tiny bit
5 back so Mr. Schwarzenbach and I could see as well.

6 MR. DODGE: Okay. Does that work for
7 everybody?

8 (No verbal response)

9 BY MR. DODGE:

10 Q. I think it's important for us all to understand
11 what we're talking about, Mr. Mendenhall. I'm just going
12 to draw a very simplistic drawing of the Questar
13 Pipeline, Questar Gas system and talk about the services
14 we're discussing?

15 And I'm going to start up here and I'm going to
16 simplify your system dramatically and say that there are
17 three groups of customers; transportation customer one,
18 transportation customer two, and Questar Gas; okay?

19 Each of those secures gas in the field, and I
20 won't draw the upstream gas coming in, but they, each of
21 them then nominates a volume of gas in the Questar
22 Pipeline; correct?

23 A. Correct.

24 Q. And over here I'm going to draw Clay Basin just
25 to represent your storage rights.

1 A. Correct.

2 Q. Then Questar Pipeline delivers the gas
3 delivered to it and Questar Gas Company; correct?

4 A. Correct.

5 Q. And then Questar Gas Company delivers the gas
6 delivered to it down to the actual burner tips for
7 customers T-1, T-2, and here there are 900,000; right --

8 A. Right.

9 Q. -- to the QGC sales customer. Sorry. I don't
10 write very well. Okay. Now, I'm going to make up some
11 numbers to kind of illustrate the next question I wanted
12 to ask you. Let's assume on a given day that -- and I'm
13 going to make up units that make no sense but there are
14 easy to deal with.

15 Let's assume on a given day Questar Gas Company
16 nominates 100 units of gas and transportation customer
17 one nominates 15 and two nominates 35 for a collective
18 nomination into the Questar Pipeline system for delivery
19 to Questar Gas of 150 units; okay?

20 A. Okay.

21 Q. Let's assume that all that gas shows up and
22 there are no restrictions down the pipeline, so it all
23 shows up at the city gates; okay?

24 On any given day, what these customers burn
25 is going to be different from that every day; right?

1 A. That's right.

2 Q. And let's pretend for this purpose that
3 transportation customer one burns only 13 of the 15 that
4 it nominated meaning there's a surplus in the system of
5 two, a two-unit over delivery or imbalance; right?

6 A. Right.

7 Q. And I'm going to round, but that's roughly a
8 13 percent over delivery for that particular customer.
9 T-2, let's say it delivers 34 or it burns 34 of the 35
10 that it nominated leaving a one unit -- or, excuse me,
11 a one-unit over delivery which is roughly three percent.

12 Let's say the Questar Gas customers
13 collectively burn 93 of the hundred units leaving a
14 seven. On this day we're saying everyone was over
15 delivering. We all used less than we expected to use.
16 So, it's a plus seven over delivery which again is
17 roughly 70 percent for Questar Gas.

18 As I understand it, what you're telling us is
19 that because Questar Pipeline -- excuse me, Questar Gas
20 Company has bought services on Questar Pipeline in the
21 form of no-notice service, firm transportation, and
22 storage, because of that -- I forgot to add -- these add
23 up over here to 140; okay?

24 A. Okay.

25 Q. Meaning there's a plus ten delivery. There's a

1 ten-unit imbalance; right?

2 A. Right.

3 Q. And as I understand what you've explained,
4 because you have no notice, you collect all ten of these.
5 You take all ten of these, not just the seven that
6 Questar Gas burned but all ten and you subtract it.

7 There's an automatic after-the-fact subtraction
8 from Questar's nominations meaning that its nominations
9 are adjusted to 90 and those ten are considered deposited
10 into Clay Basin.

11 A. I believe that is correct.

12 Q. So, what you're saying is you've actually not
13 only cured the imbalance of Questar Gas Company's
14 GS customers but the three-unit over delivery of the
15 transportation customers so that now, getting them to
16 this point, there is a balance in the system; right?

17 A. With a balance of ten?

18 Q. Yeah. Now that you've subtracted ten out and
19 your nomination's gone to 90, now this is in balance
20 in total?

21 A. Correct.

22 Q. Now, it's important I think to understand,
23 we're not talking about who paid for this gas or who's
24 going to ultimately use it; right? There's ten
25 dekatherms, whatever you want to use. There's ten units

1 of gas that got delivered to the system --

2 A. Right.

3 Q. -- that didn't get burned.

4 A. Right.

5 Q. And someone paid for it. And you've put them
6 here into Clay Basin at least through this automatic
7 after-the-fact adjustment.

8 But we're not talking about the value of the
9 gas; right? In other words, these customers all still,
10 including Questar, have to deal with the gas they paid
11 for and didn't use through a monthly commodity --

12 A. Right.

13 Q. -- balance?

14 A. So, by the end of the month, all of that gas
15 would be paid back, the two on the one and the one on the
16 other and it would all be trued up to zero.

17 What we're talking about is the upstream
18 services that are being used.

19 Q. Right. This guy's job would be sometime during
20 the month to under deliver one unit if this was the
21 only --

22 A. Right.

23 Q. -- imbalance it had so that by the end of the
24 month, it's at least within a five percent tolerance
25 on Questar Gas and on Questar Pipeline; right?

1 A. Correct.

2 Q. That needs to be run. But what we're talking
3 about is not that, not the value of the gas or the
4 monthly commodity balancing but rather the pressure
5 issue, right, of who's delivering what and keeping these
6 in balance; right?

7 A. Right.

8 Q. Okay. Now, I'm going to come back to that but
9 I'll sit back down for just a moment and come back to it
10 in a minute with some more questions.

11 You've indicated that in your view, and you
12 said it here on the stand as well as in your testimony,
13 that in this case, that the value of these services that
14 we've just described, this daily balancing of deliveries
15 and burn, if you will, is the same as its cost; right?

16 A. Correct.

17 Q. Isn't it a fair statement that that is in fact
18 true as to the GS customers? In other words, for a GS
19 customer, you've decided, and I don't think anyone's
20 challenged it, your GS customers won't tolerate any kind
21 of interruption or imbalance or pressure problems or
22 whatever. And so, they're willing to pay for these
23 expensive services.

24 And they are somewhat expensive, right, the
25 upstream services, so that they don't have to worry about

1 it and Questar Gas doesn't have to worry about balancing
2 on a daily basis.

3 You've paid to eliminate that problem; right?

4 A. So, you need those services to take care of
5 all three of those imbalances on that given day.

6 Q. Well, let's talk about that in a minute,
7 but have you ever done any analysis on this docket
8 on what the value of those services might be to a
9 transportation customer?

10 A. I have not.

11 Q. Isn't it critical if your theory is this is not
12 cost incurrence but use or fairness or value, isn't it
13 critical that you know what is it worth to these
14 customers to have you do this for them than to look at
15 what the value is to your Questar Gas customers to have
16 you do it for them?

17 A. To me, I'm using the services that is general
18 sales or all the sales customers have paid for, and so
19 I'm saying, because you use those services, you need to
20 pay for the cost of those services.

21 Q. Well, what if they don't want them or need
22 them?

23 A. Well, then I guess they could go out and find
24 some other way to manage their balances.

25 Q. But you're not allowing them to, are you,

1 by your proposal?

2 A. No.

3 Q. And let's talk about why that is.

4 Theoretically, Questar Gas could say, look, we're only
5 out of balance seven. Let's just go up here and subtract
6 seven, adjust our nomination, put just seven, our
7 customers' gas in here and will let's these guys
8 flounder. Theoretically you could do that; right?

9 A. I guess, yeah.

10 Q. Practically, why you can't do that because you
11 don't meter these guys on a realtime basis, so you don't
12 have a clue what they're burning as it's happening;
13 right?

14 A. We get their usage once a day. So, we need
15 those services to keep things in balance.

16 Q. But you don't know until after the fact whether
17 this is seven or some different number; right?

18 A. Correct.

19 Q. In fact, the way you figure it out is you take
20 the total burn and subtract out these that are metered
21 and say the rest is your GS customers; right?

22 A. Yeah. In fact, we don't know the imbalances
23 on any of those three customers.

24 Q. Exactly. So, because you don't know realtime
25 data for your QGC customers, your GS customers, you end

1 up doing this adjustment that eliminates the entire
2 imbalance.

3 If you could do that, if you could cut off
4 Questar Gas and say, you guys are on your own, did this
5 guy need your services that day?

6 A. To be -- well, Questar Gas has no imbalance
7 on their system. So, yes.

8 Q. You're talking about Questar Pipeline.
9 These are upstream Questar Pipeline charges you're trying
10 to collect.

11 A. Correct.

12 Q. And so, did this guy need your services on
13 Questar Pipeline this day when he is within --

14 Well, let's step back. Questar Pipeline allows
15 a five percent tolerance on a daily basis; right?

16 A. For sales customers it does not because
17 everything is remedied through no-notice sales and for
18 transportation storage.

19 Q. I'm talking about for transportation customers.
20 They're allowed a five percent daily tolerance
21 on the Questar Pipeline; right?

22 A. Okay.

23 Q. And so, to deal with this part of the system,
24 the Questar Pipeline upstream services you're talking
25 about, this person didn't need that service that day.

1 Now, this person -- because he's within five
2 percent. And Questar pipelines is like Questar Gas's
3 current tariff. They only impose the five percent when
4 they need to, right, when there are pressure and
5 reliability and other system constraints, that's when
6 they impose the five percent; right?

7 A. But they still would need some kind of remedy
8 because they cannot carry a three percent imbalance
9 on the Questar Gas system.

10 Q. Well, let's leave Questar Gas out --

11 A. If you're saying Questar Pipeline's going to
12 take care of that for them for free, then I guess that's
13 your argument.

14 Q. I'm saying right now you're talking about
15 Questar Pipeline services that you say we're using.
16 So, right now I'm focused on the Questar Pipeline system
17 and the services they provide that you say that these
18 customers are using.

19 I'm saying, under my scenario, if this were
20 possible that Questar Gas only dealt with its own sales
21 customers, this customer wouldn't need help dealing with
22 a Questar Pipeline imbalance that day.

23 A. If Questar Pipeline could carry them with a
24 five percent, then that's correct.

25 Q. Unless they issued an OFO.

1 A. Correct.

2 Q. And on a daily basis, there's a five percent
3 tolerance only in force when Questar Pipeline concludes
4 there's a supply issue that they have to restrict them
5 burning; right? In other words, the five percent is
6 there but it isn't enforced any more than yours has been
7 on a daily basis; right?

8 A. Sure.

9 Q. This customer's 13 percent out. It might need
10 it depending on whether Questar Pipeline that day said
11 you've got to live within your tolerance or you've got
12 to live to a zero tolerance or whatever Questar Pipeline
13 might order in an OFO; right?

14 A. Correct.

15 Q. But absent that, this customer wouldn't even
16 need the upstream services to deal with Questar Pipeline
17 as long as they worked it off by the end of the month
18 for the commodity purpose; right?

19 A. No. In that given instance on that given day,
20 they would be using those services.

21 Q. No. I'm saying, if all you did was adjust the
22 seven that the GS customers used in the Clay Basin
23 leaving these guys with their imbalances, Questar
24 Pipeline would deal with them individually somehow
25 on the five percent tolerance; right? But if they didn't

1 impose it, neither one would have to make any adjustments
2 that day?

3 A. I guess I'm not following you.

4 Are you saying they're now under 13 percent
5 out of balance?

6 Q. I'm saying, these guys are 13 percent out of
7 balance. Plus their pipeline has a five percent
8 tolerance for its transportation customers. They have
9 therefore an out-of-tolerance imbalance that they may
10 have to deal with if Questar Pipeline tells them you've
11 got to limit yourself to five percent or zero percent
12 because of upstream constraints, they will, they will
13 have to. If they don't -- with huge penalties if they
14 don't; right? If they don't tell them that, this
15 actually would carry into a monthly commodity?

16 A. No, that's not right. On that given day,
17 Questar Gas would end up using their no-notice
18 transportation storage services to remedy that imbalance
19 because this is on a daily basis. So, on a daily basis
20 Questar Gas has to be in balance.

21 Q. With the five percent tolerance for
22 transportation customers.

23 A. Each customer is 13 percent out of balance.
24 So, I guess I'm not understanding how 13 percent and
25 five percent magically, you know, equal.

1 Q. I'm just saying the five percent on Questar
2 Pipeline is like your current five percent tariff. And
3 that is, it's enforced when it needs to be, not every
4 day. And you would have a five percent -- or these T-1
5 and T-2 customers would have the benefit of this five
6 percent imbalance if Questar Gas Company left them to
7 their own devices instead of using their Questar Pipeline
8 upstream services to serve them.

9 Do you disagree with that?

10 A. I still think -- Questar Gas has to -- it
11 balances every single day. And so, I guess the way the
12 system's set up, those transportation customers aren't
13 left to their own devices with Questar Pipeline. They
14 rely on the operator Questar Gas to bring them into
15 perfect balance every day.

16 Q. That's because you've chosen that for them.
17 You've forced that upon them, not because they need it.
18 If they could balance with Questar Pipeline within the
19 five percent, they wouldn't need those services;
20 would they?

21 A. Well, T-1 would because it's 13 percent out of
22 balance. So they need the services on that given day.

23 Q. For the delta above five percent?

24 A. Correct.

25 Q. Okay. But they would have a five percent

1 imbalance tolerance there; right?

2 So, when you say this is the value to them,
3 isn't -- to understand the value to the TS customer,
4 not to your GS customers, the value of these services
5 to a TS customer, doesn't it depend upon their next
6 acceptable least cost alternative?

7 In other words, if you didn't do this for them,
8 what would they do? And if they had a five percent
9 tolerance and then had to deal with potential
10 restrictions above the five percent, what if that's
11 a less costly and a more acceptable approach for TS
12 customers? Are you giving them that option?

13 A. No.

14 Q. And are you familiar that some pipeline -- some
15 LVCs actually do give that option to their transportation
16 customers? They give them an interruptible balancing
17 service, they give them a firm balancing service.

18 They offer services and different things to
19 allow them to decide what level of intolerance they're
20 willing to live with?

21 A. I'm not familiar with what other LVCs are
22 doing.

23 Q. So, in your view, even though this is not a
24 typical incremental cost incurrence allocation but a use
25 and a fairness type of an adjustment or a value

1 **adjustment, you don't think it's important to evaluate**
2 **what this is worth to the very customers you're claiming**
3 **to benefit?**

4 A. No, because what you're talking about here is a
5 hypothetical situation. What really happens is Questar
6 Gas as the operator takes care of all of the balances
7 for all of the customers. That's the way it works.

8 And so, because it takes care of all the
9 balances and because it has a no-notice upstream and
10 storage services, there is no five percent imbalance
11 on the system.

12 So, it's great that hypothetically we --
13 if they were left to their own devices, the pipeline
14 would give them five percent.

15 Well, what happens in actuality is those sales
16 customers would end up paying for that additional five
17 percent because there is no five percent wiggle room with
18 these services. The services take care of all the
19 imbalances.

20 **Q. And that's because you've chosen to do it that**
21 **way?**

22 A. I don't know if that's because I have chosen to
23 do that way or if that's the way the tariff's written
24 or -- I actually don't know why it's done that way.
25 That may be a question for Mr. Schwarzenbach. I'm not

1 that familiar with the gas supply area.

2 Q. You indicated that you do this as a balancing
3 service you're offering, but nowhere in your tariff does
4 it suggest you're offering a balance service to the
5 customers; right?

6 A. No. But in my tariff is the Division question
7 either in Section 5.01, I am allowed to receive
8 compensation for the upstream services that I provide.

9 Q. Let's talk about that tariff. That tariff is
10 addressing any program or penalties or payments that
11 Questar Pipeline imposes on you because of imbalances
12 or other problems your customers cause; is it not?

13 A. That's not the way I read it.

14 Q. That's not how you read it?

15 A. No.

16 Q. Well, let's read it again.

17 A. Okay.

18 Q. That was in Section 5.01.

19 A. Yeah, under the fees, costs, and charges
20 section.

21 Q. "In the event the company incurs fees, charges
22 or costs as a result of transportation by an
23 upstream pipeline, the company will provide a
24 statement of those charges or costs."

25 That doesn't sound to you like if you incur a

1 cost on Questar Pipeline that you can pass it on by
2 sending the statements and here's what we just bought
3 on Questar Pipeline for your behalf or the penalty we
4 just paid on your behalf for Questar Pipeline?

5 A. I think it sounds like that, but I also think
6 any time you're using services that have a cost,
7 I should be able to be reimbursed for them.

8 MS. CLARK: If I may interject, Mr. Dodge has
9 paraphrased I think the section that Mr. Mendenhall read
10 into the record earlier.

11 And for clarity purposes, I'd like him to do so
12 again so we're all speaking about the same words.

13 BY MR. DODGE:

14 Q. Well, yeah, you can read if you'd like to.

15 A. Do you want me to read it? I'll read it.

16 Q. I don't care.

17 A. "In the event that the company incurs fees,
18 charges or costs as a result of the transportation
19 of a customer's gas to the company's distribution
20 system by an upstream pipeline, the company will
21 provide a statement of such charges or costs. The
22 customer will reimburse the company for all fees,
23 charges or costs associated with such
24 transportation."

25 Q. And you've provided those statements, have you,

1 **regularly over the last 25 years?**

2 A. No, we've not. So, that's what the purpose
3 of this proceeding is is to begin charging for those.

4 **Q. And so, if you read that statute that way,**
5 **the company's been negligent in not -- in passing those**
6 **costs on in the past and sending statements; right?**

7 MS. CLARK: I'm going to object to the
8 argumentation in the question.

9 CHAIRMAN LAVAR: Any comment to the objection?

10 MR. DODGE: No. I'll withdraw it.

11 CHAIRMAN LAVAR: Okay.

12 THE WITNESS: Can I answer that question?

13 MR. DODGE: You better ask your attorney to
14 withdraw the objection.

15 MS. CLARK: I withdraw my objection.

16 THE WITNESS: One of the main reasons why we
17 have proposed this charge has come about from the last
18 couple of years. I have not been that familiar with how
19 this works. I didn't even really understand how
20 nominations work.

21 But over the past couple of years, we've had
22 a couple of supply curtailments and it's been my
23 department's responsibility to assess those fees for the
24 penalties incurred on those supply curtailments.

25 And as I began to look at the data, I realized

1 that the customers really were not nominating on a daily
2 basis and they were carrying large imbalances every day
3 which led me to realize that they really are using these
4 services. And I thought all along they were within close
5 range every day and they weren't using these services.

6 And so, to answer your question as to why
7 we haven't done anything in the last 20 years, I didn't
8 realize that it was this big of a problem until a year or
9 two ago. We've been talking about this for the last two
10 years. And so, when it came to my attention that this
11 was as egregious as it was, that's the point where we
12 decided we needed to start doing something to charge
13 them for these services that they're using.

14 BY MR. DODGE:

15 Q. So the answer to my question is, yes, you were
16 negligent in not recognizing that earlier?

17 A. I'd say ignorant. Not negligent.

18 Q. Okay. I'll go with ignorant. This section
19 that you relied on talks about transportation of a
20 customer's gas.

21 A. Right.

22 Q. It doesn't talk about storage. It doesn't talk
23 about no notice.

24 A. Correct.

25 Q. So, if you're only relying on that, only the

1 component for transportation ought to go into your
2 charge; right?

3 A. Well, the Commission has approved other
4 imbalance charges. For example, the MT class that
5 includes upstream, no notice, and storage.

6 Q. I understand that. I'm saying, if this is what
7 you're relying upon, it doesn't talk about storage or no
8 notice services?

9 A. I am taking this a step further I guess.

10 Q. Mr. Mendenhall, isn't charging -- back up.

11 The charge you're proposing to charge to
12 transportation customers, for every single dekatherm
13 of imbalance, not in excess of the five percent but every
14 single dekatherm of imbalance that they incur over the
15 month netted, all transportation customers collectively,
16 is the exact same rate that you're GS customers pay for
17 this on a 100 percent load factor basis; correct?

18 A. It's a volumetric rate.

19 Q. It's a volume -- you've converted what is a
20 demand or a charge, a fixed charge per unit to a 100
21 percent load factor volumetric rate for the
22 transportation; right?

23 A. Correct.

24 Q. And you've come up with other means of doing
25 that, but you're basically saying, we're going to charge

1 our transportation customers the exact same charge we're
2 charging our GS customers when converted to a 100 percent
3 load factor volumetric rate?

4 A. Well, I'm charging the volumetric version.
5 I wouldn't say I'm charging them the same amount because
6 my charge assesses I think five and a half percent of the
7 no-notice cost of the transportation customers and four
8 and a half percent of the storage costs.

9 So, I think if you were to compare how much
10 they're using versus how much I'm assessing them,
11 I'm being very fair.

12 Q. No. I mean on a per-year basis. It's the
13 exact same per-unit charge you're charging your
14 GS customers assuming 100 percent load factor?

15 A. Correct, which they never reach.

16 Q. So, if that's the case -- I mean, isn't this,
17 Mr. Mendenhall, like the company renting for its or
18 buying for its GS customers a Ferrari, picking up a TS
19 customer and transporting it when there's room and then
20 saying pay us the lease value of a Ferrari even if the
21 transportation customers would have said, I would have
22 been happy to walk, take my bike or ride a UGO, but
23 you're charging me the -- without being asked.

24 You didn't ask us if he wanted these services.
25 You don't give us another option. We might have other

1 options that would be acceptable to us, but you're saying
2 pay the Ferrari rate.

3 Don't you think that's a fair analogy?

4 A. I think a better analogy is more like a bus
5 pass where I'm paying a demand charge for the month and
6 someone wants to use my buss pass for the day and so I
7 let them use my bus pass. And I say, well, if I take the
8 value of my bus pass and divide it by 30, you're going to
9 pay me for the day's worth of use.

10 Q. Well, what if they say, we don't want to take
11 the bus. We'll walk, thank you?

12 A. That's the beauty of my opinion charge is they
13 have that option. They can keep the nomination in
14 balance every day and they never have to pay to ride the
15 bus.

16 Q. Someone pays for it because you charge -- and
17 we'll get into this in a minute and make sure this is
18 understood. You say you've given them a five percent
19 tolerance. That's not true in terms of calculating the
20 amount, the 1.7 million you want to collect from
21 transportation customers. That is basing it on every
22 single net dekatherm net imbalance over the year, the
23 test period; correct?

24 A hundred percent. Not over five percent.

25 A. I'm netting all of the transportation customers

1 together for --

2 Q. You're netting them?

3 A. Yes.

4 Q. And their net imbalance every day from zero to
5 whatever is what you add up and charge them on and that's
6 how you got the 1.7 million?

7 A. You mean the net imbalance outside of the five
8 percent?

9 Q. No. I'm saying all of them.

10 A. You're talking about when I calculate the rate?

11 Q. When you calculate the revenue requirement that
12 you're now going to try and collect from transportation
13 customers, you don't give them a five percent tolerance.

14 You charge them for every dekatherm of
15 imbalance over the entire test period?

16 A. That's exactly right because, as I mentioned
17 earlier, Questar Gas balances to zero every day.

18 Q. By choice?

19 A. I don't know if it's by choice.

20 Q. For its transportation customers.

21 A. You can ask Mr. Schwarzenback what it is.
22 But I don't know why but probably for operational
23 reasons.

24 Q. Don't you think there's a big hole in this
25 record if there's been no demonstration of what the value

1 to the transportation customers is for this service by
2 comparing it to what another option might be for them
3 if you chose not to provide this service that they've
4 never asked for?

5 A. Well, I don't know if I'm required to provide
6 every possible analysis. I mean, if the other parties
7 thought that was a good methodology or analysis to use,
8 they've had eight months to provide it on the record.

9 The proposal that I have I believe is fair.
10 I believe it charges them accurately for the costs that
11 they use, and I don't feel like I'm being, you know,
12 I'm overreaching, especially when you compare it to the
13 MT rate that's currently approved.

14 I think it's a just and reasonable rate.
15 I think it's fair. And customers don't have to pay it
16 if they keep their nominations in line.

17 Q. Someone has to pay it. One of the
18 transportation -- even if there's only one that goes
19 out of balance, they'll pay the entire charge; right?

20 You're saying the 1.7 million is collected
21 regardless of who pays for it.

22 A. Well, actually, if they all keep their
23 nominations in balance over time, that 1.7 million will
24 decrease over time. It will get smaller and smaller.

25 Q. I understand.

1 A. In a perfect world, if they were all in
2 balance, the charge wold be de minimis.

3 Q. You say the record's been open. Several people
4 have said, including the Division at one point, you
5 haven't provided enough information to calculate
6 a fair charge. Don't you think that's a legitimate
7 response, too?

8 A. I think that was filed in direct testimony.
9 And I believe now with all of the evidence on the record,
10 there is enough charge.

11 Ultimately, that will be up to the Commission
12 to decide whether there's enough evidence on the record.

13 Q. You understand that the Company has the burden
14 of proof of establishing your charge; do you not?

15 A. Yes. And I believe we've met that burden.

16 Q. Even without any evidence of what the value
17 to the customers that you're claiming to benefit is?

18 A. Yes.

19 Q. Let's talk now just a little bit about your
20 formula that leads to your rate because I think it's
21 important for the Commission to understand that as well.

22 First I'm going to ask some questions.

23 Is the goal here to be punitive to
24 transportation customers?

25 A. No.

1 Q. Is it to discourage transportation and
2 encourage people to move back to sales service?

3 A. No.

4 Q. Is it to be the most restrictive LDC in the
5 country in terms of daily imbalance requirements for
6 transportation customers?

7 A. No.

8 Q. Is it because you think it's a fair way to
9 allocate charges?

10 A. It's because it's the -- first of all, I think
11 transportation customers should pay for what they use.
12 And a lot of the rate design was taken from feedback
13 we got from working groups.

14 Q. I'm going to -- if we're going to go into
15 confidential settlement discussions and the feedback,
16 that's fine, but understand you're going there.

17 You also got feedback, we don't approve of this
18 charge at all and we thought there ought to be a five
19 percent tolerance before you started charging;
20 did we not?

21 MS. CLARK: I'd like to object as well.
22 I don't believe Mr. Mendenhall is referring to
23 confidential settlement discussions.

24 MR. DODGE: Well, I think he has. He said that
25 was the feedback.

1 MS. CLARK: I would like him to clarify that.

2 THE WITNESS: The feedback I'm talking about is
3 we had three working groups in the beginning of 2014.

4 BY MR. DODGE:

5 Q. And those weren't confidential settlement
6 discussions notwithstanding the fact that your company
7 said that at the beginning I think of each one --

8 A. No. They weren't confidential.

9 Q. Okay. Then I can cross-examine you about them.

10 A. Absolutely. Let's talk about them.

11 Q. Okay. Did the customers not say they did not
12 believe it was fair for you to impose, to calculate your
13 charge based on every dekatherm of imbalance because the
14 customers have a five percent intolerance --

15 A. I --

16 Q. -- on the pipeline?

17 A. I don't remember them telling me that.

18 Q. You don't remember that?

19 A. No, I don't. I remember them telling me that
20 they would like a five percent tolerance when the charge
21 is assessed because they felt like that was fair and
22 that would give the customers an option to keep their
23 imbalances in line. But I do not remember this
24 discussion of a five percent on the calculation.

25 Q. Who is it, the primary person who told you

1 that five percent ought to be there?

2 A. I believe it was you.

3 Q. It was me. And I also argued you shouldn't
4 charge on the first five percent at all.

5 A. Well, then maybe we were talking past each
6 other because all I heard was the five percent
7 assessment. I never heard the five percent charge.

8 MR. DODGE: Let's talk just a minute, and with
9 your indulgence, I'd like to do a slightly different
10 chart. May I?

11 CHAIRMAN LAVAR: Yes. I will interject even
12 in the absence of a motion with concerns of the relevance
13 of what took place in workgroup meetings before the
14 filing in this docket.

15 BY MR. DODGE:

16 Q. And I agree with that, Mr. Chairman. I won't
17 go there again. I thought they were confidential and I
18 wouldn't have gone there, but the witness did and I felt
19 like it was important to at least not to leave the
20 impression people agreed with his charge.
21 So, I won't go there again.

22 I'm going to ask you to kind of verify what I
23 understand to be your formula in your record; okay?

24 A. Okay.

25 Q. As I understand it, there are three primary

1 components. One is a volumetric rate. And then you
2 multiply that by -- this is what I'm talking about.
3 There is no five percent. 100 percent of the net
4 transportation customer imbalances; right?

5 A. Correct.

6 Q. The net here is not net of sales customers
7 imbalances but only the transportation customers
8 aggregated together; right?

9 A. Correct.

10 Q. And this is component two. And then you divide
11 that by the total transportation customer imbalances
12 over the test period; correct?

13 A. Well, the total transportation customers
14 outside of five percent.

15 Q. So, this is where the five percent comes in
16 in your denominator, but in the rate part where you're
17 deciding the 101.7 million, you use a hundred percent
18 of the --

19 A. Correct.

20 Q. -- data for the imbalances?

21 And so, your approach is -- this would be QGC.
22 You're turning those into numbers. And I'm going to use
23 just part of it, is roughly, you calculate a rate of 52
24 cents per dekatherm; right?

25 And again, there are more -- it goes out

1 further in your calculation. I will abbreviate. And you
2 calculated roughly 3.3 million dekatherms --

3 A. Yes.

4 Q. -- of total imbalances and then you divide that
5 by roughly 9.1 million. This is a dollar. Those are
6 dekatherms; right? 9.1 million. And that produces
7 both a revenue requirement and a rate.

8 And for Questar Pipeline, in your testimony,
9 those numbers are 1.7 million and a rate of 19 cents;
10 right?

11 A. Correct.

12 Q. Again, rounding. Let's talk for a minute about
13 the formula. One major area of disagreement between
14 you and Mr. Higgins is that he believes this number,
15 this number two shouldn't be 100 percent of the net
16 transportation customer imbalances over the test period
17 but rather everything in excess of five percent like
18 you've done in the denominator; right?

19 A. Correct.

20 Q. That assumption alone accounts for more than
21 half of your revenue requirement rate; does it not?

22 A. Right.

23 Q. So, I'll just put this down. UAE's
24 adjustment -- the one adjustment -- and this isn't
25 necessarily in order in the fee proposed -- is to change

1 this number right here from 3.3 million.

2 So, item number two goes to, in his
3 calculation, \$790,000. Excuse me. Goes to 1.5 million.
4 So, that number becomes 1.5 because, again, half of the
5 imbalances are in that first five percent producing a
6 revenue requirement of \$790,000 and a rate with this
7 adjustment alone of eight cents.

8 A. Right.

9 Q. Do you accept that?

10 A. Yes.

11 Q. He proposed a second adjustment to this same
12 number because some days when transportation customers
13 are long, sales customers are short and vice versa;
14 correct?

15 A. Correct.

16 Q. And in real life, when Questar does this
17 calculation to even up the nominations, what was
18 delivered into the system with what's burned, it nets
19 those. It's the ten net.

20 So, if this had gone the opposite way, if this
21 had been a minus seven and this had been a plus three,
22 you would have just offset it by four; correct?

23 A. Say that again.

24 Q. Let's assume for a minute that instead of
25 Questar Gas over delivering, on this day let's pretend

1 there was a negative seven, they burned more gas than
 2 Questar Gas nominated for its sales customer. There's a
 3 minus seven, a plus one, a plus two.

4 It would end up with a minus four net,
 5 and that's the number that would go back as an adjustment
 6 into Clay Basin; right?

7 A. Right.

8 Q. So, his second calculation is that if you
 9 change this number again, this 3.3, item number two,
 10 if you adjust it in addition to that 1.5, if you add to
 11 that the imbalances offset when they offset each other,
 12 then his number dropped to 1.3 million dekatherms and his
 13 revenue requirement again for both of these adjustments
 14 together is \$692,000 and the rate is seven seconds.

15 Do you accept those calculations or those
 16 numbers from Mr. Higgins' testimony?

17 A. Yes.

18 Q. So, if one were to conclude that it's fair
 19 to transportation customers to recognize a five percent
 20 intolerance on Questar Gas and Questar Pipeline and only
 21 charge above that, that rate would drop more than in
 22 half?

23 A. Correct.

24 Q. If you also decide it's fair to recognize the
 25 reality that sales and transportation customers offset

1 each other, it would drop to .07 cents; right?

2 A. Correct.

3 Q. And then just to finish it, Mr. Higgins' third
4 adjustment was to this number, the volumetric rate,
5 52 cents; right? Instead of 52 -- so, this is item
6 number three of the formula.

7 Instead of 52 cents which is made up of no
8 notice, transportation -- no-notice transportation,
9 firm transportation and storage, he said he didn't
10 believe the transportation component belongs; right?

11 A. That's right.

12 Q. Transportation customers do pay for their own
13 transportation when they deliver gas, when they deliver,
14 nominate these and deliver.

15 They pay for transportation, do they not?

16 A. Yes. And when they have an imbalance, they use
17 Questar Gas's transportation contract to bring excess gas
18 or to absorb the over delivery.

19 Q. And they still have to pay for their imbalances
20 to Questar Pipeline because if they're over, they've got
21 to work that off by the end of the month or suffer a
22 sale; right? So, if they're over, they still have to
23 work that out. They will pay every dekatherm that they
24 burn to Questar Pipeline on the transportation system?

25 A. To Questar Pipeline or Questar Gas?

1 Q. For Questar Pipeline transportation.

2 We're talking about the Questar Pipeline
3 services.

4 A. Right.

5 Q. They will pay for every dekatherm they transfer
6 including working off these imbalances; right?

7 A. You've kind of lost me there but --

8 Q. If on the next day the transportation customer
9 says, wow, I've got a 13 percent --

10 A. You're talking about the commodity?

11 Q. Yes.

12 A. Yes.

13 Q. If ye says the next day, I've got to over
14 deliver or under deliver today by 13 percent, by two
15 units to work that off, he will pay for the extra two
16 he delivers; right?

17 A. Correct.

18 Q. So, they're not getting away without paying
19 for transportation. You're saying, in addition to the
20 transportation they pay for every dekatherm they burn,
21 they should pay a portion of the GS customer's
22 transportation cost based on this automatic Clay Basin
23 adjustment that adjust noms and burn and usage?

24 A. Yes, because you need that transportation
25 contract to make that possible.

1 Q. I understand your argument. Mr. Higgins said
2 he doesn't believe that component, the transportation or
3 the fuel gas reimbursement that goes with it belongs.
4 And that reduces his -- that alone without the other two,
5 these two are combined for this number but that alone
6 reduces it, the value, to 847,000 here.

7 MS. CLARK: If I may interject an objection.
8 And I hate to do it. I want to let the record be as full
9 and as clear as it can be.

10 I am concerned, however, that Mr. Dodge is
11 offering testimony and also attempting to make his case
12 through a cross-examination rather than his own witness.

13 And I would object on that basis to this whole
14 line of questioning.

15 MR. DODGE: Well, if I may respond.

16 CHAIRMAN LAVAR: You can respond, yes.

17 MR. DODGE: I think it's appropriate for this
18 Commission to understand the differences. He tried to go
19 through the differences and explain them.

20 I'm trying to cross-examine him on it. I think
21 it's completely appropriate. This is all in the record.
22 It can be derived from the record. It's not as laid out
23 as simply as it is here.

24 CHAIRMAN LAVAR: I think there's some merit
25 to the objection with respect to cross-examining

1 Mr. Mendenhall on his testimony.

2 However, to the extent that Mr. Mendenhall has
3 addressed these issues in rebuttal and surrebuttal,
4 I think I'm going to allow the questioning to continue.

5 MR. DODGE: I'm almost done.

6 CHAIRMAN LAVAR: Okay.

7 BY MR. DODGE:

8 Q. I just want the Commission and everyone to
9 understand the components because what Mr. Mendenhall
10 said, he's went through each of these adjustments and
11 said it reduces it to just 20 percent I think was his
12 testimony or --

13 A. Yeah.

14 Q. -- something like that of his charge.
15 I'm showing the components to get to that 20 percent
16 and show that one assumption alone drives half of it.

17 Other assumptions also drive half. These two
18 assumptions alone drive half of the difference between
19 the rates. I think that's, you know, something the
20 Commission ought to understand.

21 And then just now what you did testify to, that
22 if you take -- and I'm sorry I'm such a bad -- I'm so bad
23 at drawing on these.

24 If you take UAE one through three, all three
25 of them, that's the number you referenced where he gets

1 to down to a \$337,000 revenue requirement and a charge
2 of 3.6 cents; right?

3 A. Correct.

4 Q. So, this assumption, these two assumptions that
5 you make about not giving any tolerance when calculating
6 the rate and including the transportation cost in the
7 calculation, each of those drives basically half of the
8 charge you're now proposing to charge transportation
9 customers; correct?

10 A. Correct.

11 Q. Let's talk for a minute about your no-notice
12 service. What components go into no notice?

13 A. I believe there is a system demand charge,
14 but to make sure the record's correct, why don't we turn
15 to my direct testimony. We can look at the table there.

16 Q. And let me clarify. I'm not asking about the
17 charge.

18 A. Oh.

19 Q. I'm saying, what comes with no-notice service?

20 A. So, basically -- I don't need this. I'll move
21 it back over here. Basically, no notice is what we call
22 a fifth cycle nomination.

23 So, as we were talking, you mentioned that we
24 don't know what the imbalance is until the end day of the
25 day for the sales and the transportation customers.

1 And so, at the end day of the when it's all
2 said and done, the no notice allows us to -- allows an
3 adjustment to be made to take into account any imbalances
4 that we had on our transportation contract and then the
5 difference goes into Clay Basin.

6 **Q. Do you know what cost components go into**
7 **Questar Pipeline's determination of its no-notice charge?**

8 A. Maybe I'll let you tell me because I'm guessing
9 you do.

10 **Q. Well, I'm hoping you do.**

11 A. I'm trying -- I mean, I think there's a demand
12 component. I can tell you the history of it. I believe
13 back in the '90s you had Order 636 come out where the
14 Federal Energy Regulatory Commission ordered pipelines
15 to offer this balancing service or a larger suite of
16 balancing services to large customers like utilities,
17 electric generation customers.

18 And so, at that time the amount of no notice
19 was determined that would be available to Questar Gas,
20 and it was based on Questar Gas's historical experience.
21 And I'm not sure, you know, what costs go into that.
22 It's just a cost that's, you know, typically taken care
23 of in a general rate case.

24 So, you've got your transportation costs,
25 your storage costs, your no-notice cost, and in the 1995

1 rate case, it was determined, you know, what costs should
2 be apportioned to that service and then that was agreed
3 to by all the parties in settlement, and we've been
4 paying that ever since.

5 Q. FERC Basically assigns cost; right?

6 A. Correct.

7 Q. It's a cost-based thing. You don't know what
8 bucket of costs go into determining no notice.

9 Are there some transportation costs?

10 Are there some storage costs?

11 A. I honestly don't know. I don't know what it's
12 made up of.

13 Q. But in any event, it's the no notice that
14 allows this after-the-fact adjustment --

15 A. Correct.

16 Q. -- to reconcile burn with delivery; right?

17 A. Correct.

18 MR. DODGE: Changing direction just a little,
19 and I'm not too far from being done.

20 To the Commissioners, I don't know when you
21 were hoping to have a break but I'm getting close.

22 CHAIRMAN LAVAR: Thank you.

23 BY MR. DODGE:

24 Q. Changing direction just a little bit, you were
25 asked to identify any utilities you were aware of that

1 impose some kind of daily balancing restriction on their
2 transportation customers; right?

3 A. In a data request?

4 Q. In a data request. And the company came back
5 with three that you've identified.

6 Have you reviewed the tariffs of those three?

7 A. Not recently. I think I briefly looked over
8 them when we answered the data request.

9 Q. Is it consistent with your memory that the
10 Southwest Gas -- and I do have them and we can go through
11 them if you'd like. Tell me if this is consistent with
12 your memory, that the Southwest Gas which was the only
13 utility in the western part of the United States that you
14 identified.

15 A. Right.

16 Q. It's in Las Vegas. It's in Nevada; right?

17 A. Right.

18 Q. The Southwest gas allows a 25 percent daily
19 intolerance?

20 A. I believe that's right. I don't know all the
21 specifics of it but I think in general that's how it
22 operates.

23 Q. And if someone goes over that, they charge if
24 there are incremental upstream charges imposed on them;
25 correct?

1 A. That I don't remember but I will agree.

2 Subject to check, that's correct.

3 Q. You also identified Vectren in Ohio.

4 Is it consistent with your memory that they
5 have a 15 percent daily tolerance and any excess above
6 15 percent is cashed out on a commodity basis?

7 A. That I don't remember but I will agree subject
8 to check.

9 Q. And then, lastly, you identified Baltimore Gas
10 and Electric in Maryland.

11 And is it consistent with your memory that they
12 have a daily balancing fee that they charge to suppliers
13 for the total of gas delivered by a given supplier into
14 the system?

15 A. I think that's correct, yes.

16 Q. Did you review those tariffs enough to know
17 that all three of those allow agent-level aggregation
18 for nomination and imbalance purposes?

19 A. No, I did not.

20 Q. Would it surprise you that every utility
21 identified by both by you and by the Office's witness
22 allow agent-level aggregation at least in some form
23 for imbalance purposes?

24 A. I don't know if it would surprise me or not
25 but I trust what you're saying.

1 **Q. If that were the case, wouldn't your proposal**
 2 **not make you the most restrictive daily imbalance utility**
 3 **in the country that we know of at least?**

4 A. Well, I think you have to look at out proposal
 5 in terms of all the other tariff provisions that these
 6 utilities have. Clearly, we have explained or expressed
 7 concern over having customers nominate on a daily basis
 8 and Mr. Schwarzenbach talked about that.

9 And I don't know if the other utilities have
 10 policies in place that allow or that help mitigate the
 11 operational concerns that we have. And so, that allows
 12 the aggregation of the rate to be effective. So, I guess
 13 I can't speak to that because I don't know the whole
 14 package of policies that they have in place.

15 But the purpose of our rate was to try and
 16 incent customers to change their behavior. And whether
 17 that works or not I guess is to be seen, but that was
 18 the hope.

19 **Q. Mr. Mendenhall, going back briefly to this**
 20 **illustration, the reality is, you have 300 instead of**
 21 **two transportation customers; right?**

22 A. Correct.

23 **Q. But if we drew 300 lines here and added them**
 24 **all up to these exact same numbers, the adjustment here**
 25 **would be the same?**

1 A. Correct.

2 Q. So, the use of the no-notice service is not
3 effective whether it's done at an agent aggregated level
4 or done at an individual customer level; right?

5 A. Correct.

6 MR. DODGE: You testified -- may I approach?

7 CHAIRMAN LAVAR: Yes.

8 BY MR. DODGE:

9 Q. Here's a cross-examination exhibit.

10 You testified that nobody had essentially
11 fleshed out a proposal for allowing agent-level
12 aggregation for these imbalance charges. And I'm going
13 to ask you if you read testimony proposing that your
14 agency agreement be adjusted to allow for this.

15 Did you see testimony in the record to that
16 effect?

17 A. Could you remind me of who may have written
18 that testimony?

19 Q. Yeah. We can find it and give you the specific
20 cite. You don't recall reading it?

21 A. I may have. I couldn't tell you right now who
22 wrote it and where it was though.

23 (UAE Cross Exhibit 1 marked)

24 BY MR. DODGE:

25 Q. I'd like to mark this as cross-examination

1 **Exhibit UA 1 and ask you if you recognize it?**

2 A. I don't -- well, I recognize it. It's the
3 customer agency assignment agreement, but I would not say
4 that I'm familiar with this document.

5 Q. And attached to it is what's called a QuestLine
6 access agreement.

7 Would you accept subject to check that if I'm
8 a transportation customer and I choose to have an agent
9 do anything on my behalf, I have to sign this document?

10 A. Yes.

11 Q. And the QuestLine agreement with it?

12 A. Yes.

13 Q. In that document, paragraph one identifies the
14 agent. Paragraph two says the customer will be bound by
15 what the agent does. Paragraph three says --

16 A. I'm sorry. Are we looking at the --

17 Q. The first page.

18 A. -- the front page?

19 Q. The first page.

20 A. Okay.

21 Q. Paragraph three says the customer will provide
22 the access code to QuestLine?

23 MS. CLARK: I'm going to object to this entire
24 line of questioning. The witness has testified that he's
25 not familiar with this agreement. And we're kind of

1 racing through it. He's not had an opportunity to
2 review it. He did not testify that he's participated
3 in its preparation or had any contact with it before
4 today.

5 MR. DODGE: I'm responding to his testimony
6 that there's no proposal in this docket that fleshes out
7 how an aggregation work. And I'm responding, yes, there
8 is and it's this agency agreement that is referenced.

9 MS. CLARK: I would request a citation to the
10 record on that. I believe he also testified he didn't
11 recall specifically.

12 MR. DODGE: Then I would request a break if
13 we're going to play these games. I'd request a break
14 and let me go find it.

15 CHAIRMAN LAVAR: I think this issue does
16 warrant a break. So, why don't we reconvene at 12 --
17 before we break, let me just make a comment. I should
18 have thought to say something about this issue earlier.

19 We stream these proceedings as a courtesy.
20 You know, our official record is through the court
21 reporter. We may be disadvantaging anyone who's relying
22 on the streaming when you're away from your microphone.

23 I don't know the extent to which that's an
24 issue for anyone, but I just wanted to make that point.

25 MR. DODGE: Thank you.

1 CHAIRMAN LAVAR: And we'll be on break until
2 20 minutes until 11. Thank you.

3 (Recess taken 10:28 a.m. to 10:41 a.m.)

4 CHAIRMAN LAVAR: Okay. We are back on the
5 record, and we will continue with Mr. Dodge.

6 BY MR. DODGE:

7 Q. Thank you, Mr. Chairman.

8 Mr. Mendenhall, if you're not familiar with the
9 agency agreement, I won't ask you questions about it.

10 A. Okay.

11 Q. But let me ask you, do you not understand how
12 the parties are proposing that agent-level aggregation
13 would work?

14 A. I'm not -- I guess -- I -- no, I'm not familiar
15 with exactly how it works.

16 Q. Do you know that the utility knows when a
17 customer signs an agent to nominate on its behalf?

18 A. I would not -- I would refer to
19 Mr. Schwarzenbach on that one, too.

20 Q. If that were the case, if it's the case that
21 Questar knows when an agent has been designated to
22 nominate, would it not be a simple matter for the company
23 to aggregate all the customers of that agent, assess the
24 penalty based on the aggregated numbers, and then assign
25 penalties based upon either pro rata or how they are

1 instructed by the agent?

2 A. Once again, I'm not familiar enough with that
3 to answer. I'd refer to Mr. Schwarzenbach.

4 Q. Mr. Mendenhall, you propose that this charge
5 be adjusted each six months within the pass-through
6 filings; is that right?

7 A. Correct.

8 Q. Currently, transportation customers don't
9 participate in 191 pass-through filings typically because
10 they don't buy gas services.

11 A. Correct.

12 Q. Do you understand that?

13 A. Yes.

14 Q. So, you understand that would become burdensome
15 on those customers to have to now start participating in
16 those documents if they felt the need to analyze the
17 calculation of the imbalance penalty?

18 A. Well, I think it's a good proposal because,
19 first of all, I would assume that some of these customers
20 would reduce their balances and by filing twice a year
21 would give them the opportunity to reduce that rate over
22 time.

23 Q. But you do understand it would mean they would
24 now have to incur expenses not only in doing daily
25 balancing if there's no aggregation or in other words,

1 hiring someone, using someone to try and stay within the
2 imbalance tolerances every day, but also then participate
3 in pass-through dockets if they care about how that rate
4 is calculated?

5 A. If they care about how the rate is calculated,
6 they would need to participate, but I think it would
7 end up being a mechanical approach that would just be
8 calculated once every six months.

9 So, I guess I don't know why would really need
10 to be involved unless they really wanted to be.

11 MR. DODGE: Okay. I have no further questions.
12 Thank you.

13 CHAIRMAN LAVAR: Mr. Cook?

14 MR. COOK: I have no additional questions,
15 Your Honor.

16 CHAIRMAN LAVAR: Mr. Williams?

17 MR. WILLIAMS: No questions.

18 CHAIRMAN LAVAR: Redirect?

19 REDIRECT EXAMINATION

20 BY MS. CLARK:

21 Q. Yes. Thank you.

22 Mr. Mendenhall, some of what I want to do on
23 redirect is clarify. Very, very early in your testimony
24 you used the terms "packing" and "drafting." And I'd
25 like the record to clearly reflect what those terms mean.

1 **Can you define those for us?**

2 A. Sure. So, packing would be when a customer
3 delivers too much gas onto the system. Drafting would be
4 when they deliver not enough and so they are using gas
5 from the system.

6 Q. Thank you. Mr. Dodge asked you a number of
7 questions about the value of these services to TS
8 customers and whether they had requested the use of these
9 services or wanted to use them.

10 With that in my mind, what is the company's
11 option if TS customers in this hypothetical Mr. Dodge
12 created were able to say "no thank you," what would the
13 company's remedy be if a customer were out of balance?

14 A. Well, first of all, this is hypothetical.
15 So, let me explain what really happens and then I'll
16 answer your question.

17 So, what really happens is, for purposes of
18 balancing, Questar Pipeline treats all the transportation
19 customers as if they are the first through the meter
20 at Questar Gas meaning they are always in balance.

21 So any imbalances that occur, in the case of
22 his example, the plus two or the plus one would
23 automatically go to the no-notice balancing upstream
24 transportation and storage accounts, and along with the
25 sales customers, those imbalances would be remedied using

1 that. So, really, we make the argument of, you know,
2 there's a five percent tolerance.

3 But if a five percent tolerance were allowed
4 in the calculation of this rate, what would end up
5 happening is Questar Pipeline would continue to do their
6 operational balancing and that first five percent would
7 be applied to no-notice transportation and storage and
8 that five percent would be paid for by sales customers.
9 The transportation customers would never have to pay for
10 it. So that subsidy would continue.

11 To answer your question, what would happen
12 if they were left to their own devices. Well, as I
13 mentioned earlier, you've got to balance the system.
14 So, you've got a couple options available to you.

15 One is to physically control the amount of gas
16 on the system. The other is to come up with balancing
17 services on Questar Gas and charge them for that.

18 I don't think either one of those solutions
19 would be as good as what we're proposing here. I think
20 the imbalancing services assessed on gas would be more
21 expensive and I think no one would want to be subject to,
22 you know, operational, physical gas control if their gas
23 didn't showup. So.

24 **Q. And when you say operational physical gas,**
25 **you're talking about shutting them off; aren't you?**

1 A. Yes. Or making them go out and buy more, yes.

2 Q. Okay. Were you involved in -- well, strike
3 that. You testified, didn't you, that some of these
4 customers have chosen in recent events not to shut off
5 even when directed to do so; did you not?

6 A. That might have been Mr. Schwarzenbach.

7 Q. Was that Schwarzenbach?

8 A. That's my memory as well, yes.

9 Q. Were you familiar with that circumstance?

10 A. Yes.

11 Q. And what kinds of transportation customers
12 did you understand chose not to shut off?

13 A. Yes. Well, I'm --

14 MR. DODGE: I'm going to object to this.
15 It's not within the scope of the cross.

16 MS. CLARK: I believe it is within the scope
17 of the cross. Mr. Dodge has ably made the argument that
18 transportation customers don't want or need these
19 services, and this goes to directly to --

20 Though, perhaps no one's written a letter
21 saying please give them to me, they absolutely use them.
22 And when directed to shut off, the evidence shows they've
23 chosen not to and been express in their refusal to do so.
24 And I'd like to explore that.

25 CHAIRMAN LAVAR: I think I'll allow that

1 questioning.

2 MR. DODGE: I would respectfully request the
3 ability to re-cross, then, on this issue.

4 CHAIRMAN LAVAR: Absolutely.

5 MR. DODGE: Can I do that?

6 CHAIRMAN LAVAR: Yes.

7 THE WITNESS: So, to answer your question,
8 it mostly would be hotels, schools, grocery stores,
9 businesses that, you know, that are using gas for space
10 heat. And obviously if you're a business that has the
11 public in your business and it's cold outside, you're not
12 going to be able to just shut down and turn off the gas.

13 BY MS. CLARK:

14 Q. Thank you. If you will indulge me for just a
15 moment. Mr. Dodge asked you some questions about the
16 tariff section that the Division -- that was reflected
17 in Division Cross Exhibit-1. I'd like to turn your
18 attention there briefly. And I believe there was
19 discussion about what services were included, whether
20 it was just transportation service.

21 What I'd like you to do is reiterate the
22 services that are included in your charge and then I
23 want to ask a couple of questions about those.

24 A. Okay. So, it would be the upstream
25 transportation, the no-notice, and the storage cost.

1 Q. Is no notice a transportation service?

2 A. No.

3 Q. Okay.

4 A. Well, it's no-notice transportation, but you
5 need the underlying transportation contract for no notice
6 to work. It can't work on its own.

7 Q. Is the same true for storage costs?

8 A. Well, storage costs probably could work without
9 no notice or -- but yeah. No notice needs a
10 transportation contract. It doesn't necessarily need
11 storage.

12 Q. I want to talk -- if you'll indulge me for a
13 moment, I'd like to go to the other demonstrative chart
14 over there. We talked at length about the differences
15 between some of the intervenors' proposals and the
16 company's proposal. And I want to focus your attention
17 for a moment on what has got the parenthetical number two
18 next to it --

19 A. Okay.

20 Q. -- where it says 100 percent net of TC
21 imbalance. I want you to clarify what that means when
22 you say your net in customers, what do you mean?

23 A. So, what I've done is I've taken for the test
24 period all of the transportation customer balances and
25 I have aggregated them together, netted them together,

1 treated them as one group of volumes, if you will, and
2 then taken that overall imbalance, multiplied it by the
3 what I deem to be the cost per dekatherm of the services
4 they used and then I've used that to calculate the total
5 cost we need to collect.

6 Q. So, let me give you a hypothetical as well.
7 If customer one was packing or over delivering ten
8 dekatherms and transportation customer number two were
9 under delivering by ten dekatherms, those out-of-balance
10 dekatherms would be netted in this step --

11 A. Yes.

12 Q. -- and their dekatherm charge would not be
13 included in your numerator; is that correct?

14 A. That is correct.

15 Q. Okay. Can you explain why you wouldn't net
16 both the numerator and the denominator as the UAE has
17 suggested?

18 A. Why I wouldn't put -- do a five percent --
19 Oh. You're talking about netting the rate?

20 Q. Netting the customers also in the denominator.
21 I'm trying to remember which of those steps in the chart
22 it was.

23 A. Yeah. Well, so, the reason -- well, you could.
24 The reason why I chose to assess it at the customer level
25 was, one, it would give the customer a price signal.

1 Also, by dividing it by the total -- the
2 individual transportation customer imbalance, you
3 actually get a bigger denominator and your rate's
4 actually lower.

5 MS. CLARK: Okay. I don't have any other
6 questions.

7 CHAIRMAN LAVAR: Mr. Olsen, any cross?

8 MR. OLSEN: No cross.

9 CHAIRMAN LAVAR: Ms. Schmid?

10 MS. SCHMID: None.

11 CHAIRMAN LAVAR: Mr. Dodge?

12 RE CROSS-EXAMINATION

13 BY MR. DODGE:

14 **Q. Just very briefly. The issue you addressed,**
15 **hotels, schools, grocery stores and others not shutting**
16 **off when told to, that was addressed in the stipulation**
17 **in the last docket; was it not? A customer that fails**
18 **to interrupt when instructed to?**

19 A. Remind me which docket that was.

20 **Q. I don't remember the name, the number. The one**
21 **that you filed last year asking --**

22 A. Oh, the general rate case or the --

23 **Q. No.**

24 A. The pooling?

25 **Q. The pooling filed. In other words, through**

1 that docket and prior to the general rate case, the
2 tariff provides pretty stiff penalties if a customer
3 fails to interrupt when instructed including being kicked
4 off the transportation tariff; is that not correct?

5 A. If they're interruptible.

6 Q. Yes. For an interruptible customer.

7 A. Correct. But I think most of those customers
8 are firm.

9 Q. The schools and the like?

10 A. Yes.

11 Q. So, have you ever considered maybe tailoring
12 the service to those who say we want to burn regardless
13 and those who say, we're big boys and we can handle our
14 own imbalances?

15 A. No, I haven't.

16 MR. DODGE: No further questions.

17 CHAIRMAN LAVAR: Mr. Cook?

18 MR. COOK: No.

19 CHAIRMAN LAVAR: Mr. Williams?

20 MR. WILLIAMS: No.

21 CHAIRMAN LAVAR: Okay. Thank you,

22 Mr. Mendenhall.

23 (Brief break)

24 CHAIRMAN LAVAR: Oh, I'm sorry. Questions from
25 the commissioners. Stay on the stand for a moment

1 longer. I'm sorry. It's important. Yes.

2 Commissioner White? Sorry.

3 EXAMINATION

4 BY COMMISSIONER WHITE:

5 Q. Thanks. Just a couple. A clarifying question.

6 One, this is probably self-evident to the folks who do

7 this every day and this may be a question for

8 Mr. Schwarzenbach, but with respect to the tolerance

9 determination, I understand there's different cycles of

10 nomination. Would it be applied to one of the four?

11 Is it a final daily cycle nomination?

12 A. It would be for the full day.

13 Q. The full day. So you just --

14 A. Well, when you're talking about five percent,

15 are you talking about the commodity imbalance that

16 Mr. Dodge was talking about or the daily charge I'm

17 talking about?

18 Q. Yeah, the daily charge.

19 A. Yeah. It would be daily.

20 Q. Okay. So --

21 A. For the whole -- for the entire day, we would

22 look at how much they use versus how much they nominated,

23 give them five percent tolerance and then whatever is

24 outside of that, that's what they get assessed and

25 charged on.

1 Q. Okay. Thank you. The second question is,
2 I've heard reference in various testimony and live
3 testimony with respect to customers versus contracts.

4 Is there a distinction between the two or,
5 I mean, actually there's 300 customers.

6 Are those contracts?

7 A. Each customer would have a contract and then
8 some customers, to confuse things even more, would have
9 an agent that they would, you know, have do their
10 nominations for them.

11 But for Questar Gas purposes, every individual
12 customer has a contract. So, you could probably use
13 those terms interchangeably. Mr. Schwarzenbach may
14 correct me on that when he gets up here, but as far as
15 I know, that's how far it works.

16 Q. And so, the proposed charge would potentially
17 be applied per contract?

18 A. Yes, or for per customer, right. Yeah.
19 Exactly.

20 COMMISSIONER WHITE: Thank you. I have nothing
21 else.

22 CHAIRMAN LAVAR: Commissioner Clark?

23 EXAMINATION

24 BY COMMISSIONER CLARK:

25 Q. Thank you. Mr. Mendenhall, just a question

1 or two about metering. And again, if these are more
2 appropriate for Mr. Schwarzenbach, just let me know.

3 A. Sure.

4 Q. What types of data does a transportation
5 customer obtain from its on-site meter?

6 A. So, a customer receives once a day through a
7 program called Pipe Viewer. And I believe it's an online
8 program. Once again, Mr. Schwarzenbach's more familiar
9 with it. But every --

10 So, between eight and ten a.m. every day,
11 they receive their usage for the prior day. So, gas days
12 are on a eight a.m. to eight a.m. cycle, and so they
13 would receive the usage on an hourly basis for that
14 prior day between eight and ten a.m. every day.

15 Q. And realtime, speaking of the meter, if a
16 customer wanted to observe the meter and try to base
17 nominations on that information, would that --

18 What information do they lack, if any,
19 from what the meter will tell them?

20 A. So, the only data they would lack I guess,
21 they have to get their -- I'm going to give you high
22 level, and then if anyone -- you want to ask any detailed
23 questions. They have to make their nominations at a
24 certain time of the day for the next day.

25 And so, to the extent that, you know, there's

1 a gap between when they receive that daily data and when
2 they're making their nomination, that's where the
3 realtime data would fill that gap, you know.

4 So, it might be a few hours. It might be
5 depending on when they are making their nomination --
6 and I'm not an expert, but that's really what the
7 realtime data would do.

8 So, what it does, basically, is you got two
9 options. You can go out and look at your meter or if you
10 want to be a little more sophisticated and pay the money,
11 you put two wires, it's called pulse data, onto your
12 meter and those wires run into your building and,
13 basically, every time a dekatherm clicks, it, you know,
14 monitors that.

15 And so, you could look at it at any time of the
16 day and see, okay, from eight a.m. to ten a.m., I've used
17 this much gas or, you know, I've used this much gas in
18 the last hour. So, it gives you really between twelve
19 and 24 hours of more realtime data than what the
20 customers are currently getting.

21 **Q. Is there any other information that needs to be**
22 **applied later to adjust that physical measure of a**
23 **dekatherm? Heat content or --**

24 A. Probably. And I'm not sure. I will defer to
25 Mr. Schwarzenbach on what exactly that Pipe Viewer data

1 gives them. But, yeah, the meter would probably just
2 give them the cubic feet.

3 COMMISSIONER CLARK: I'll reserve the rest of
4 this for Mr. Schwarzenbach. Thank you very much.

5 THE WITNESS: Yeah.

6 COMMISSIONER CLARK: That's all I have.

7 EXAMINATION

8 BY CHAIRMAN LAVAR:

9 Q. I just have one more, Mr. Mendenhall.

10 If you have read Mr. Mierzwa's surrebuttal
11 where he suggests a one dekatherm per day minimum
12 tolerance for customers using less than ten per day.

13 A. Yes.

14 Q. If you read that, do you have a position
15 on that suggestion?

16 A. I don't -- I don't think we could do it.
17 I will tell you the way the billing system works,
18 it rounds to as many decibels up to six as we want.

19 So, in my personal opinion, a customer using
20 ten dekatherms, you know, could be rounded to a half a
21 dekatherm in tolerance imbalance, but if, you know,
22 the Commission is more comfortable with giving a
23 one-dekatherm floor, if you will, to all the customers,
24 I think the Company would be fine with that and could
25 do that in the billing system. So.

1 CHAIRMAN LAVAR: Thank you. That's all I have.

2 THE WITNESS: Okay.

3 CHAIRMAN LAVAR: Thank you, Mr. Mendenhall.

4 MR. OLSEN: Commissioner, I guess I'm just
5 puzzled. I'm sorry. It's not Mr. Mendenhall. It has
6 to do with the two what became charts that were created.

7 Is there a way that those are going to be
8 in the record? I mean, can we photograph them?

9 CHAIRMAN LAVAR: Well, we have not at this time
10 had a motion to admit them into the record. If someone
11 moved to admit them we would have to figure out the right
12 way to do that, but at this point I don't think we have
13 a motion to that effect in front of us.

14 MR. DODGE: Mr. Chairman, I might indicate,
15 I believe they're for illustrative purposes only.
16 I don't think they need to be or should be in the record.
17 Everything on the charts is in the record.

18 So, it's for the Commission's convenience.
19 And if the Commission would view it convenient, I would
20 move that it be admitted not into the record but for the
21 Commission's use for illustrative purposes only.

22 CHAIRMAN LAVAR: I'm trying to figure out if
23 you just made a motion.

24 MR. DODGE: Yes.

25 CHAIRMAN LAVAR: Yes. I was trying to figure

1 out if you just made a motion. If you did, could you
2 restate your motion?

3 MR. DODGE: Yes. That the Commission can
4 utilize those. It's like sending an illustrative exhibit
5 back to the jury. It's not part of the record but it
6 illustrates a witness's testimony, and so it can be used
7 to help people understand what the record says.

8 So, it's not to be part of the record but it
9 could be used by the Commission for illustrative purposes
10 if it's useful.

11 CHAIRMAN LAVAR: Okay. And then maybe before
12 I get other parties to expand on that motion, I think
13 if that motion were granted in practice, the Commission
14 would just take an image of those and put them on the
15 web site docket even if they weren't admitted because we
16 have lots of things, we still put them on the docket --

17 MR. DODGE: Just don't say I drew it because
18 they're really awful.

19 CHAIRMAN LAVAR: Just what?

20 MR. DODGE: Don't say that I drew it because
21 they really look bad.

22 CHAIRMAN LAVAR: So, with that clarification,
23 are there any comments on the motion?

24 MS. CLARK: Just clarifying. We're only
25 talking about these two charts; is that correct?

1 MR. DODGE: Correct.

2 CHAIRMAN LAVAR: That's my understanding.

3 MS. CLARK: No. We have no objection.

4 MS. SCHMID: The Division has no objection.

5 MR. OLSEN: No objection.

6 CHAIRMAN LAVAR: Okay. Mr. Cook?

7 Mr. Williams?

8 MR. WILLIAMS: No.

9 MR. COOK: No.

10 CHAIRMAN LAVAR: Okay. So, the Commission will
11 take possession of the charts and will place an image
12 of them on the docket. They're not evidence in this
13 proceeding at this point unless someone else moves to
14 do so. Ms. Clark?

15 MS. CLARK: The Company would call
16 William Schwarzenbach.

17 CHAIRMAN LAVAR: Mr. Schwarzenbach, do you
18 swear to tell the truth?

19 THE WITNESS: Yes.

20 CHAIRMAN LAVAR: Thank you.

21 WILLIAM SCHWARZENBACH,
22 having first been duly sworn, was
23 examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MS. CLARK:

1 Q. Would you please state your name and business
2 address and position with the company for the record?

3 A. William Frederick Schwarzenback, III.
4 My business address is 333 State Street, Salt Lake City,
5 Utah. And my role is director of gas supply at
6 Questar Gas.

7 Q. I would like to direct your attention to the
8 testimony you prefiled in this matter, Questar Gas
9 Company Exhibit 2.0R, the rebuttal testimony of William
10 F. Schwarzenback with attached Exhibits 2.1R through 2.3R
11 filed on July 31st, 2015 and Questar Gas Company's
12 Exhibits 2.0SR, the surrebuttal testimony of William
13 Schwarzenbach submitted in this docket on August 14th,
14 2014. Are you familiar with those?

15 A. Yes.

16 Q. And were they prepared by you or under your
17 direction?

18 A. Yes, they were.

19 MS. CLARK: The company would move for the
20 admission of both pieces of testimony and their
21 attachments.

22 CHAIRMAN LAVAR: Does any party have any
23 objection to the admission of the rebuttal and
24 surrebuttal testimony of Mr. Schwarzenbach with the
25 attachments?

1 MR. OLSEN: No.

2 MS. SCHMID: No.

3 CHAIRMAN LAVAR: They will be admitted.

4 Thank you.

5 (QGC Exhibit 2.0R and QGC Exhibit 2.0SR
6 marked and admitted)

7 BY MS. CLARK:

8 Q. Thank you. Mr. Schwarzenbach, can you please
9 summarize the testimony you've offered in this matter?

10 A. Yes. The focus of my testimony is to explain
11 the operational concerns that arise when transportation
12 customers' nominations do not match their usage.

13 Each of the last two years, Questar Gas has
14 experienced operational issues that led to customer
15 curtailments. These occurred on December 5th, 2013
16 and December 31st, 2014.

17 When curtailments do occur, Questar Gas must
18 know how much gas each customer has brought to the system
19 in order to restrict their usage to their confirmed
20 nomination.

21 Evidence shows on most days nominations are not
22 done accurately at the customer level. Customers that
23 use more than their confirmed nomination will be using
24 supplies obtained for Questar Gas's sales customers.

25 During these recent events, some customers have

1 ignored requests to curtail usage. With the growth
2 in the number of transportation customers, if this
3 continues, it could result in the need for Questar Gas
4 to curtail firm sales customers. This could also result
5 in large penalties for transportation customers.

6 In order for Questar Gas to effectively manage
7 these unpredictable events, it is important that
8 customers' nominations match their expected usage each
9 day. On a daily basis the fluctuations in transportation
10 customers' imbalances also impact Questar Gas's ability
11 to manage their own storage plans.

12 In the long term, this could impact the
13 management of cost-of-service production. While these
14 costs are not included in the transportations imbalance
15 charge proposed in this docket, the charge will serve
16 as an incentive for customers to make accurate
17 nominations on a daily basis, therefore reducing the
18 imbalances and the impact on our storage management.

19 The intervenors have presented objections
20 to the Questar Gas proposal including stating that the
21 requirement for accurate daily nominations is unduly
22 burdensome, that the current balancing restrictions or
23 OFOs are an effective way to incent accurate nominations
24 by customers on a daily basis, and that Questar Gas can
25 use line pack to manage the transportation customers'

1 imbalances.

2 The intervenors have argued that requiring
3 nominations to be done accurately at the customer level
4 is unduly burdensome. I do not agree with this. It is
5 and has been the responsibility of every transportation
6 customer to make an accurate nomination every day.

7 The tariff itself already states the Company
8 will allow plus or minus five percent of a customer's
9 volumes delivered from upstream pipelines as a daily
10 imbalance tolerance window.

11 However, the tariff does not currently provide
12 an effective enforcement mechanism for this five percent
13 tolerance.

14 The system for nominations is set up with
15 multiple cycles each day to facilitate the changes
16 necessary to meet these requirements.

17 However, most customers do not utilize these
18 opportunities to manage their nominations. Instead, some
19 agents sidestep their responsibilities at the expense
20 of Questar Gas's sales customers.

21 In fact, in total, transportation customers
22 are outside of the five percent tolerance window over
23 80 percent of the time during the test period used in
24 this docket. The Division of Public Utilities proposed
25 a flat or socialized rate to cover the costs of the

1 services used to manage transportation customers'
2 imbalances. They along with some of the intervenors have
3 also recommended that Questar Gas utilize the existing
4 balancing restrictions as a means to incent a change in
5 nominations behavior. I do not feel the existing
6 language provides adequate incentive.

7 The existing restriction language provides for
8 aggregation and trading of daily imbalances by the
9 agents. Historically, agents have taken advantage of
10 this ability by only adjusting nominations to a few of
11 their customers to attempt to bring their aggregate
12 nomination in balance with their overall usage.

13 This again does not provide the accuracy
14 desired at the customer level. I have proposed
15 additional tariff language that would address this issue
16 if a flat or socialized rate were to be implemented.

17 And lastly, based on my experience as the lead
18 engineer in charge of system planning for Questar Gas and
19 my experience as the director of gas supply, I have seen
20 that Questar Gas does not have sufficient line pack to
21 manage the transportation customers' imbalances on a
22 daily basis. Due to the relatively small size and lower
23 operating pressures of the pipes in the distribution
24 system, any customer usage directly impacts the supplies
25 coming from the upstream pipeline within hours.

1 This concludes my summary.

2 MS. CLARK: Mr. Schwarzenbach is available for
3 cross-examination.

4 CHAIRMAN LAVAR: Thank you. Mr. Olsen?

5 MR. OLSEN: We have no cross. Thank you.

6 CHAIRMAN LAVAR: Ms. Schmid?

7 CROSS-EXAMINATION

8 BY MS. SCHMID:

9 Q. Yes. Good morning.

10 A. Good morning.

11 Q. I have a few questions about nominations and
12 pipeline management or distribution system management.

13 What would happen if the sales customers were
14 using all the storage, all the no-notice service and the
15 other balancing services and the transportation customers
16 were out of balance, what would Questar Gas do?

17 A. Questar Gas would have to ask each of those
18 transmission customers to reduce their usage to match
19 their scheduled quantity for the day. And that's their
20 confirmed nomination for that day. So, that would be a
21 curtailment situation.

22 Q. Is it correct that the firm sales service
23 customers are paying to have gas available when they
24 need it?

25 A. Yes. That is true.

1 **Q. How often does Questar Gas change its**
2 **nomination for those sales customers?**

3 A. We do a very detailed nomination every day,
4 and if we have to make adjustments throughout the day,
5 we will do that as well.

6 **Q. How often in your experience does the average**
7 **TS customer change its nomination?**

8 A. I believe the data shows that they only do it
9 maybe five times a month. So, not on an every-day basis.

10 **Q. Have you had the experience that any TS**
11 **customer utilizes the intraday process to refine its**
12 **nomination?**

13 A. Very infrequently.

14 MS. SCHMID: Do you have a copy of what was
15 previously marked in this matter as DPU Cross Exhibit-1?

16 May I approach?

17 CHAIRMAN LAVAR: Yes.

18 THE WITNESS: Thank you.

19 BY MS. SCHMID:

20 **Q. Could you please turn to Section 5.09?**
21 **Could you please read into the record the first**
22 **sentence of the second paragraph under the title "Daily**
23 **Imbalances"? This sentence begins: "The company will**
24 **provide ... "**

25 A. "The Company will provide notice of such

1 restrictions to each affected nominating party not
2 less than two hours prior to the first nomination
3 deadline for the affected period or as soon as
4 reasonably practical to the extent system integrity
5 or upstream allocations allow."

6 Q. In your experience, has Questar used this
7 provision as requiring at least two hours notice before
8 the first nomination deadline?

9 A. Yes.

10 Q. So, Questar has not attempted to use it later
11 in the nomination process?

12 A. Not that I'm aware of.

13 Q. Do you believe that Questar could use this
14 further into the nomination process? And I'm not asking
15 for a legal opinion. I'm just asking for your opinion
16 consistent with your title of Questar.

17 A. With the current language, I do not. I think
18 we would have to wait and provide the notice for the next
19 day. So, starting at eight a.m. for whatever the next
20 gas day is. So, once we've reached the two hours prior
21 to the nominating deadline, the first nominating deadline
22 is actually almost 24 before the start of the next gas
23 day. So, once you're into that current gas day, you're
24 actually not just the next day but the one after that
25 if that makes sense.

1 Q. It does. And to assist in this process,
2 are there Questar Gas Company employees available to take
3 nominations throughout the nominating process?

4 A. Yes. The system is set up that way. They can
5 do their noms through any of the deadlines.

6 Q. You would agree, though, that Section 5.09
7 permits the company to allow plus or minus five percent
8 imbalance on a daily basis per customer?

9 A. Actually, I believe if you read it, it states
10 that there is a plus or minus five imbalance every day
11 and it permits the company to actually make that tighter
12 and then assign penalties to it after that.

13 Q. In your experience, how often has the company
14 imposed penalties? And then the second part of the
15 question will be, how often has the company made that
16 tolerance smaller?

17 A. I'm not sure exactly how many times. I think
18 I saw in the data that it was 120 days. I think that was
19 during the test period that we did that. So, I'd say we
20 try to avoid doing it.

21 It happens when our system is getting pushed,
22 though. It's usually either during a cold weather event,
23 but it could also happen during any type of mechanical
24 concerns on the upstream pipeline.

25 That could be plant issues. It could be

1 something gets hit by lightning and isn't working. Could
2 be a lot of reasons for it. But it's any time we see
3 that that supply is going to be restricted to us and it's
4 not as available.

5 And what was the second half of the question?

6 **Q. How often has the imbalance tolerance window**
7 **been made smaller than the plus or minus five percent?**

8 A. We usually don't go smaller. I don't think
9 there's been very many occasions. We try and work with
10 the agents or the customers as well. Sometimes we'll
11 actually put a tolerance level kind of in line with
12 what we're experiencing.

13 There are times when we'll put a tolerance
14 where it is -- they could be -- they could pack the
15 system but not draft it more than five percent meaning
16 that, you know, they cannot pull more than five percent
17 off of our system but they could put additional gas on
18 if we're only restricted in one direction.

19 So, we'll try and be lenient with that and try
20 and restrict it to what makes sense with the operational
21 issue that we're doing. We have applied these more
22 frequently recently, and I think it has to do with just
23 the fact that, for one, there's more transportation
24 customers and therefore more volume we're trying to
25 manage through it.

1 And two, I think there's been more events
2 recently in terms of upstream pipeline constraints,
3 wellhead freeze-offs, things like that. I think they've
4 been more frequent.

5 **Q. In your testimony, you say that many customers**
6 **and agents have not historically matched daily**
7 **nominations and usage. Do you recall that?**

8 A. Yes.

9 **Q. Do you recall that you also said that the**
10 **customers and agents should have been doing this all**
11 **along?**

12 A. Yes.

13 **Q. So, isn't it fair to say if they were supposed**
14 **to be doing it all along and they haven't been that**
15 **Questar Gas Company should have been using Section 509**
16 **more often?**

17 A. Well, and that is one of the reasons we've
18 started to use it more often. Unfortunately, the
19 Section 5.09 which requires the plus or minus five
20 percent tolerance on an everyday basis, there's no
21 mechanism in there to actually charge them for it
22 unless they are on that restriction.

23 MS. SCHMID: Thank you. I'm done.

24 CHAIRMAN LAVAR: Mr. Dodge?

25 CROSS-EXAMINATION

1 BY MR. DODGE:

2 Q. Thank you, Mr. Chairman. Good morning,
3 Mr. Schwarzenbach.

4 A. Good morning.

5 Q. On page -- lines 33 and 34 of your rebuttal,
6 in response to a question -- I'll let you get there.
7 I'm sorry.

8 A. I'm having trouble finding it.
9 Do you have a copy of it?

10 MS. CLARK: I sure do.

11 MR. DODGE: I was going to reference your
12 surrebuttal, too. So you might grab that.

13 (Discussion off the record)

14 THE WITNESS: Sorry about that. I'm new to
15 this process.

16 BY MR. DODGE:

17 Q. All right. Welcome. There's several new
18 to the process of this proceeding.

19 A. Which lines are you referring?

20 Q. There's a question on lines 31 and 32. It
21 says, "Why is it important that TS customers or their
22 agents make accurate nominations on a daily basis?"

23 And I was referencing your answer on 33 and 34.

24 "All shippers are required to enter a nomination for
25 each day. This is an industry standard throughout

1 the country."

2 Right?

3 A. Yes.

4 Q. Then I'm going to turn to your surrebuttal,
5 question beginning on line 41 and basically continuing
6 over through 73. I won't read all of that, but the
7 question on 41 says:

8 "Do you agree that agents should be allowed
9 to manage the nominations in aggregate for all
10 of their customers?"

11 And you say, no. We need to have accurate
12 daily nominations.

13 You understand now, do you not, that the
14 intervenors in this docket were not asking in this docket
15 to allow aggregate nominations but rather simply for
16 purposes of calculating and imposing any imbalance
17 penalties that they be done at an agent level in
18 aggregation? Do you understand that now?

19 A. I actually understood that at that point.
20 But the purpose of that statement was actually the fact
21 that it was in reference to the proposal to charge them
22 penalties at an aggregated basis.

23 And in my opinion, even if you do a nomination
24 at the customer level but there's no punitive or there's
25 no charges except at the aggregate level, then there

1 really is no reason to do those nominations accurately
2 at the customer level. You wind up in a scenario where
3 you have to do ten nominations for ten customers but
4 there's absolutely no reason not to put a zero nomination
5 in for nine of them and just have that tenth one equal
6 your volume for your aggregate usage.

7 Q. In terms of impact on the company, what you
8 see is a total aggregated impact of all imbalances, TS
9 customers and GS customers alike; right?

10 For operational reasons, what you see is an
11 aggregated impact of all the imbalances netted against
12 each other?

13 A. Actually, for operational reasons, we need
14 to know by customer because that gas is being delivered
15 to different locations on our system.

16 Q. You need know where the nomination goes and
17 if the gas shows up where to deliver it, but for
18 operational considerations like the potential impact
19 on the system that you've testified to, what matters
20 is the total aggregated impact of all of your customers.

21 In other words, if everything nets out so
22 there's zero imbalance, even if two of them are wildly
23 out on either side, it doesn't have an operational impact
24 on the company?

25 A. I would not agree with that. I actually think

1 it does have an operational impact because we need to
2 know how much gas is being delivered to what location
3 on our system. Well, the same -- the right amount of gas
4 may be delivered to the input of our system, the city
5 gate, we still need to know how to deliver that gas
6 on our system and what location to deliver that to.

7 If the nomination is not accurate by customer,
8 we don't have that information. All we know is how much
9 gas is coming to our system.

10 Q. I'm saying, assume you get a daily nomination
11 that is as accurate as a person can make it, what affects
12 you operationally is the total aggregate imbalance,
13 not whether one customer is long and one is short and
14 they offset each other.

15 Now, if there's an imbalance and you have to
16 impose penalties or something, you have to compare the
17 burn to the nomination; right? So, you need to know
18 those numbers. But operationally, it doesn't impact you
19 if they offset each other?

20 A. You're assuming in that statement, though,
21 the assumption is that the nomination's accurate, first
22 of all, is what you said in your statement. And without
23 any incentive, we don't know that that nomination's going
24 to be accurate.

25 And second, you're assuming that if we have

1 any restrictions that we can restrict those customers
2 in a reasonable way. Those are two big assumptions in
3 what you're saying, there's no operational impact --

4 Q. Well, let's talk about --

5 A. -- which is why I have trouble agreeing with
6 your statement that there is none.

7 Q. Well, let's talk about the incentives. I mean,
8 today, you have the ability as Ms. Schmid walked through
9 with you for purposes of system integrity, altering gas
10 purchases, production or storage or other system
11 constraints, when you need it, you have the ability to
12 issue an OFO and hold people to the restrictions, to
13 their nominations with a very severe penalty; right?

14 It's a buck 25 per dekatherm minimum.

15 That's not a commodity cash-out but rather
16 just a penalty for imbalance; right?

17 A. Yes.

18 Q. And do you not find when you issue OFOs that
19 agents work very, very hard to respond and bring their
20 nominations or their deliveries and their usage as close
21 to what they've been restricted as possible?

22 A. We find that they do actually make an attempt
23 to get their total deliveries in aggregate as close it
24 needs to be for their aggregate usage, but what we're
25 trying to incent here is for them to do that same thing

1 at a customer level, not just in aggregate.

2 So, again, if they just make adjustments to one
3 or two customers to bring their aggregate volume in,
4 that's not going to help us in an operational situation
5 if they've got enough gas but it's all assigned to one
6 of their 50 customers.

7 Q. You say it's not going to help you, but again,
8 if you issue an OFO, if you've got system constraints
9 or something else that's causing you problems, they are
10 going to respond and they're going to help solve your
11 problem by restricting their usage to what you allowed
12 them to; right?

13 A. They will respond in the aggregate, yes.

14 Q. And that's how it impacts your company in the
15 aggregate. You're talking about those two times in the
16 last decade you've issued an actual interruption.
17 Then you penalize people based -- or you hold people to
18 what they've nominated or delivered and then you penalize
19 them if they don't stop burning at that level; right?

20 A. Right. And you characterized it as two times
21 in the last decade. I would say it's like actually two
22 times in the last two heating seasons which is a big
23 difference in my mind.

24 I mean, these are becoming more critical
25 situations. And that's what we're trying to manage.

1 We want to have those nominations correct so that when
2 you get in that situation which we've seen each of the
3 last two years. So, this isn't a situation that's
4 unlikely. We've seen it each of the last two years.
5 And those were warm years that we've seen this.

6 So, we're just trying to make sure that the
7 nominations are accurate so when those situations occur,
8 which they seem to occur more frequently now, that we're
9 able to manage the operation of our system.

10 So, our system needs to have a receipt which is
11 the gate station and also the delivery location knowing
12 where that gas is going to go and to which customer.

13 **Q. And the last time you interrupted, you said it**
14 **went fairly smoothly because now you have the right**
15 **information to let people know there were some penalties**
16 **imposed, et cetera; right?**

17 **A.** I would say it went smoother than the first
18 one. So, we are getting a little bit closer, but I
19 wouldn't say it was -- that there was still lots of
20 concerns and lots of issues.

21 **Q. And so, for those rare occasions where you've**
22 **had to physically interrupt and with the concern that you**
23 **have to know what a customer's burning so you can**
24 **properly assess penalties, et cetera, you're proposing to**
25 **customers like my clients, you're required every day**

1 of the year to individually monitor their own nominations
2 and burn to try and avoid penalties as opposed to hiring
3 agents to do that in the aggregate for them on days that
4 don't matter from an operational perspective?

5 A. Actually, I would argue they're already
6 required to do that. All we're asking to do is charge
7 for the services that get used when they don't do it.
8 The tariff already states they have a plus or minus five
9 daily imbalance tolerance.

10 All we're asking for here is to charge for the
11 services that get used when they don't adhere to that
12 plus or minus five tolerance window.

13 Q. What makes your utility so special that you
14 have to have more than just the current language to
15 incent that? Have you looked at other utilities to
16 see what they do?

17 A. I have not. But I have looked at what our
18 customers have done with the current language. And
19 it is obvious that the current language is not sufficient
20 to incentivize them because they have not done so.

21 Q. You say that, and yet to this day, there has
22 never been an interruption of sales customer deliveries
23 like you're warning could happen.

24 Never happened; has it?

25 A. It has not which is a good thing in my mind.

1 Q. It is a good thing.

2 A. My job is to worry about that happening.
3 My job is to make sure that doesn't happen. And we're
4 here today in part because we don't want that to happen.
5 I'd much rather be here arguing with you right
6 now before the fact than in here trying to explain later
7 on why that happened, why we had to interrupt sales
8 customers. So, I'd rather be here right now.

9 Q. So, let's all say we agree with that. Then
10 let's come up with the most least restrictive, least
11 punitive way of doing that.

12 And is it not through that, so, it's never
13 happened that you've had these sales customer disruptions
14 that you warn us about ever-ever even though there's not
15 any economic incentive in today's tariff to match
16 nominations with burn except when the Company tells them
17 to.

18 Now, you're proposing to impose something.
19 Even if it's for penalty purposes calculated on an
20 aggregate level at the agent level, in aggregate at the
21 agent level like it's now done during OFOs.

22 Even if that happens, there will now be a
23 financial incentive and we would expect the errors to go
24 down because now there's a financial consequence even on
25 non-OFO days if people don't aggregate more accurately;

1 right?

2 A. I'm not sure exactly what I'm agreeing to right
3 there. You rattled off a whole lot of stuff right there.
4 And I don't know if I would agree to all of it. I may
5 agree to some of it.

6 Q. Well, let me parse it. And I apologize for
7 that.

8 A. Yeah.

9 Q. You would agree, would you not, that even if,
10 as the agents and customers are requesting, that you
11 allow the agents to continue dealing with the utility for
12 their aggregate customers like they do during an OFO now,
13 that they do that on a daily basis, there would still be
14 a penalty if the agent doesn't keep its customers in
15 balance, there would be a penalty that they're going to
16 have to assess somewhere. And that's going to create
17 more of an economic incentive than we now have.

18 A. I will say that I think we need the incentive
19 to be at the customer level because I would like the
20 nomination to be correct at the customer level.

21 Q. I know you say that and I think you'll hear
22 from the agents who testify later, their goal is always
23 to get those nominations accurate at a customer level
24 and they will continue to do so with this economic
25 incentive even more so.

1 **Can you not even agree that with this economic**
2 **consequence for failure to stay within the tolerance**
3 **level at an agent aggregated level, there will be more**
4 **of an incentive to be accurate every day, not just**
5 **during OFO periods?**

6 A. I think there will be more of an incentive to
7 stay in tolerance on an aggregated basis. I do not think
8 there would be any more incentive to do it on a customer
9 basis. And what we have seen through the existing OFOs
10 is that when they're provided that incentive to do it on
11 an aggregate basis, they do it on an aggregate basis.

12 But they do so by only adjusting a few of their
13 customers. They don't do so by adjusting all the
14 nominations across the board to all of their customers.

15 **Q. But again --**

16 A. We would like the incentive to be at the
17 customer level to get it so that they adjust that
18 nomination for each of their customers.

19 **Q. And the relevance of that is so you can assess**
20 **the penalty?**

21 A. The relevance of that is so that if we have
22 to call a curtailment that we can curtail those customers
23 accurately, so we can tell them how much gas they
24 actually have to use.

25 For example, if you had a 10-dekatherm

1 nomination for a customer every day and they've been
 2 burning 35 but you've added that additional 25 onto
 3 another customer, now we're going to call that customer
 4 who could be a school or a hotel or something like that
 5 and say, you've got to reduce your usage to 10
 6 dekatherms. They're going to look at it and say,
 7 there's no way I can do that and they're just going
 8 to continue to burn their 25 or 35 or whatever.

9 **Q. They'll do that once and then what happens?**

10 A. Then they will get penalized.

11 **Q. They get kicked off the system. They're no**
 12 **longer an interruptible if they're interruptible?**

13 A. No. That's just it. They could be a firm
 14 customer so that they're not getting kicked off the
 15 system. All they get is a penalty which in the past has
 16 been, a lot of times what we're told, those penalties
 17 were actually paid for by the agent anyway.

18 So again, that's reducing the incentive to the
 19 customer.

20 **Q. And the penalties can be as high as \$25 per**
 21 **dekatherm, right, under your tariff currently?**

22 **You don't think that's enough economic**
 23 **incentive for them to restrict themselves to what**
 24 **they're supposed to be burning?**

25 A. Not if they're not actually ever charged it.

1 Q. And let's talk -- well, but you're assuming
2 they won't charge it. You think the agents are --
3 there's never been a daily consequence like there will be
4 now if the Commission adopts this proposal.

5 Do you think agents are just going to eat that?

6 A. I'm not sure.

7 Q. Are you sure they won't?

8 A. I don't think it's my place to speculate
9 exactly what the agents are going to do.

10 Q. The other thing is, you're talking about the
11 schools and the like that you say aren't going to quit
12 burning because their gas doesn't show up.

13 I think Mr. Wheelwright talked a little bit
14 about the relative percentages.

15 How much of your total transportation volumes
16 go to small customers like schools and churches and
17 government buildings? Roughly.

18 A. I'm not sure the exact percentage.

19 Q. It's very small; right?

20 A. I think it's it was in Mr. Wheelwright's
21 testimony.

22 Q. It's very small; right? If the large customers
23 who do have a strong economic incentive comply,
24 it's going to solve your problem; is it not?

25 A. And what is the strong economic incentive?

1 Q. This daily nomination. Someone's going to pay
2 it if they're out of balance in aggregate. And that's
3 where it impacts you. If everyone balances out despite
4 you wildly out of balance, you're not going to have to
5 call an OFO or an interruption if they're living --

6 If the aggregate nominations are all at zero,
7 you're not going to have to worry about it. It's only
8 when you have to start issuing restrictions or
9 interruptions you have to care about; right?

10 A. I care about it every day.

11 Q. I'm happy you care. Do you understand --
12 You say daily nominations as an industry standard.

13 Do you also understand that agent-level
14 aggregation for nomination imbalancing is also
15 an industry standard?

16 A. Yes. And I think that we offer that as well.
17 I mean, our tariff states it and our tariff allows that.
18 We're talking about the commodity piece of it. All we're
19 trying to do here is when they're out of balance to
20 charge for the services that they use to keep in balance.

21 You seem to be confusing a number of occasions,
22 our charge here, with what other companies are doing
23 in terms of their commodity balancing, in terms of the
24 actual dekatherms of gas that are owed to the company
25 or the company owes these customers. And there is a

1 difference there.

2 So, a lot of what you're referring back to in
3 terms of us not doing the same as these other companies,
4 you're mixing up this charge that we're presenting which
5 is just for the services used to manage it with the
6 actual cost of the commodity that's being imbalance --

7 Q. It's my time to clarify. No, I'm not mixing
8 that up at all. I understand that completely. And we
9 can go through a dozen tariffs if you'd like to that you
10 and or the office have referred us to for other utilities
11 that try to impose some kind of daily imbalance charge
12 or consequence.

13 Would it surprise you to find out that they
14 allow aggregate imbalance, the imbalances to be
15 aggregated on a daily basis for that purpose typically,
16 too? In other words, if an agent has ten customers
17 and they have a ten-percent imbalance tolerance or a
18 two-percent imbalance tolerance and they charge for the
19 excess, it's looked at at an aggregate level for that
20 agent. Would that surprise you?

21 A. Again, I think that's the commodity side.

22 Q. No. I'm not talking commodity. I'm talking
23 daily imbalance consequences. It would surprise you?

24 A. It would surprise me, yes.

25 Q. Okay. Well, we can walk through those.

1 In your rebuttal testimony you talked about
2 if a flat rate were proposed that you would propose,
3 if that were the case, you changing the current tariff
4 to allow you to issue an OFO during the last rather than
5 the first cycle. Do you remember that?

6 A. I do.

7 Q. You understand the last cycle has very very
8 limited liquidity; do you not?

9 A. Yes.

10 Q. And so that as a practical matter mean that
11 client customers would not be able then to cure the
12 imbalance that you see -- that respond to your
13 instructions. They wouldn't have the ability because
14 of an illiquidity situation to respond to the
15 instructions to match to try and bring in supply
16 if that were the requirement?

17 A. I think that's only if their nominations are
18 nowhere close. If they only have a small adjustment
19 to make, I don't think they need as much liquidity in the
20 market. I think that is part of the incentive to have
21 your nomination close every day is the fact that you
22 now know that a restriction can be imposed for that
23 particular day.

24 So, if you're close, then even if it is the
25 last cycle, as long as your nomination was barely

1 accurate for that day already, you're only making a
2 small adjustment and now you can do that still in the
3 last cycle.

4 Q. Do you accept the agent's testimony in this
5 docket that that would be very disruptive to their
6 ability to respond? You don't accept that argument?

7 A. I think it would be harder for them to manage.

8 Q. And that has never been analyzed; right?

9 That was thrown in in rebuttal testimony,
10 not as part of the company's proposal; right?

11 A. Well, that was actually put in in response
12 to a proposal that was provided by the Division of Public
13 Utilities. So, that was our response to that. They made
14 the recommendation that restrictions be used to incent
15 the customers or -- the customers or the agents.

16 And we just responded that we don't feel
17 the restrictions with the language that's in there is
18 adequate, that we would have to make a little bit of a
19 change to the language in order or make it adequate
20 to incent them to do it at a customer level.

21 Q. And do you think before that kind of change is
22 made which the Company hasn't proposed, there ought to be
23 maybe more analysis of the impacts, the tradeoffs between
24 the impacts on transportation customers and the benefit
25 to the system?

1 A. Well, again, that's why we haven't put that in
2 our proposal. We still feel our original proposal is the
3 best route to take. That was just in response to an
4 alternative proposal. That is the concern we have with
5 the alternative proposal.

6 **Q. That is the flat-rate proposal?**

7 A. Yes.

8 MR. DODGE: Or socialized. Whatever term you
9 want to use. Okay. Thank you. I have no further
10 questions.

11 CHAIRMAN LAVAR: Mr. Cook?

12 MR COOK: I have no questions.

13 CHAIRMAN LAVAR: Mr. Williams?

14 MR. WILLIAMS: No.

15 MR. OLSEN: I have no questions.

16 MS. CLARK: Can I just have a minute?

17 CHAIRMAN LAVAR: Certainly.

18 MS. CLARK: Thank you. I apologize. I just
19 have two questions. Well, no. I only have one question.
20 You talked a little bit -- you know what, I don't have
21 any questions.

22 CHAIRMAN LAVAR: Okay. Well, thank you.

23 Commissioner White?

24 COMMISSIONER WHITE: No questions.

25 CHAIRMAN LAVAR: Commissioner Clark?

1 EXAMINATION

2 BY COMMISSIONER CLARK:

3 Q. Thank you. I just want to understand a little
4 better the two operational events that have been
5 referenced, the one in 2013 and the one in 2014.

6 And could you describe what happened on those
7 days or at least one of them?

8 A. Yeah. I think we can start with December 5th
9 of 2013. It's a little further away in my memory but
10 I'll probably remember it for a long time.

11 That day there were supply issues meaning we
12 had our supply set up for the day and our nominations
13 done and so did all the transportation customers.

14 And we started receiving word of there were
15 some plant shutdowns and well freeze-offs and some of
16 that supply was not going to be getting to our system.

17 So, we made the decision that we have to limit
18 our transportation customers or some of the ones that
19 were having their supply reduced. We only contacted the
20 ones whose supply was actually being reduced, and we
21 therefore asked the customers to reduce their usage
22 to match the supply that was coming into the system.

23 Q. And was that an operational flow order or is
24 that a different kind of event?

25 A. So, at that point, we actually did not have,

1 if I recall correctly, we did not have a restriction
2 or an operational flow order in place at that point.

3 And again, because of the wording, so, we
4 called one immediately when we started seeing the
5 freeze-offs and when we started seeing the issues.
6 But it wasn't going to be in place until the next day.

7 That was in our minds one of the wake-up calls
8 that made us start to be a little more conservative and
9 start to issue those restrictions a little bit sooner
10 whenever we thought that there might be an issue.

11 So, that's one of the reasons you see them
12 being instituted a little more frequently.

13 Q. And when you say, "a little more frequently,"
14 for 2014, for example, how many times did you implement
15 an OFO?

16 A. I'm not sure exactly how many times. There is
17 a number of events. I'd say probably ten to 15 subject
18 to check.

19 Q. Thank you. And now, regarding metering,
20 you probably heard my questions to --

21 A. I did.

22 Q. -- Mr. Mendenhall. So, what I'd like to
23 understand is what capabilities does a transportation
24 customer have to understand their usage from the metering
25 equipment that Questar requires them to have and what

1 would they not understand.

2 In other words, what contributes to metering
3 calculations or usage calculations after the meter
4 process that might relate to heat content or temperature,
5 atmospheric or other conditions?

6 A. I'm not an expert on the actual meter or the
7 metering and that side of it, but I do know that the
8 meter, then, is read electronically and we do get a read
9 for every customer on a daily basis that's put into our
10 Pipe Viewer. So, that Pipe Viewer will then take the
11 read from the meter which may be in cubic feet a unit of
12 volume. And it'll add heat content, stuff like that will
13 be included on their read in Pipe Viewer.

14 And all customers have access to Pipe Viewer
15 and so do the agents as well through an agency agreement
16 have access to Pipe Viewer.

17 So, all of the heat content and other
18 information is available via Pipe Viewer. If you look
19 specifically at the meter, I'm fairly certain the only
20 thing you're going to see is a number that probably reads
21 cubic feet. You are able, then, to go back to
22 Pipe Viewer and you know that the heat content and the
23 rest that goes into the calculation doesn't change as
24 frequently as the meter read. That's fairly static type
25 data. So, you would be able to apply that to the meter

1 read at the meter at the site and be able to determine
2 a dekatherm value for how much you're using.

3 And that meter will be accurate kind of on a
4 realtime basis, whereas right now the company only
5 requires that the meter call in to the company on a daily
6 basis to get that read.

7 **Q. And what's the interval between the usage**
8 **and the Pipe Viewer data being available to a customer?**

9 A. Well, the usage is kind of an ongoing basis,
10 but, so, the read will come in once a day and it's
11 usually in the morning right now I believe between 8:30
12 and 10:30 that that read will be on Pipe Viewer and that
13 will be for the previous day.

14 So, you'll have the read for the previous day.
15 And unfortunately it's right around the time they're
16 doing nominations, but with the change in nomination
17 schedule which is coming up, you'll have it prior to that
18 time period.

19 **Q. And how much can these additional influences**
20 **on the metering -- I'm referring to heat content and**
21 **these other influences. How much can they affect or**
22 **do they typically affect?**

23 A. They don't really affect it. It's more of just
24 a conversion from one unit to another. So, it's a fairly
25 static conversion. The heat content's usually the same

1 like I said. So, the real number that's changing is the
2 actually read from the meter.

3 I think it's also important to note that a lot
4 of times, even though they're getting this information
5 on a daily basis, they're not making any nomination
6 change based directly on that right now.

7 COMMISSIONER CLARK: Thank you.

8 EXAMINATION

9 BY CHAIRMAN LAVAR:

10 Q. I have one or two questions.

11 You may not know the answer to this first one.

12 Does the typical agent manage customers who
13 receive service from multiple city gates?

14 A. I would say that yes, they do, it's multiple
15 city gates because most of the transportation customers
16 are on our general -- the central system, kind of the
17 Salt Lake City area, and those systems are served by
18 multiple gate stations.

19 Q. Okay. And I don't think this question has been
20 answered yet. If it has, please let me know.

21 But what would be the difference in impact to
22 Questar between one customer over nominating and another
23 customer under nominating at the same time city gate
24 versus a customer who receives from one city gate over
25 nominating and a customer that receives service from

1 **a different city gate under nominating?**

2 A. Operationally, there would be a big difference
3 depending on which gate station. So, some of them, like
4 I said, in this central area are all managed together,
5 but if you had one customer, say, down south in
6 St. George that was under delivering and a customer in
7 Salt Lake that was over delivering, there would be no way
8 to net those volumes back and forth between those two
9 systems. Both of them would be handled separately
10 through our no notice and they would make adjustments
11 at either end either on the south end or to the gate
12 stations to the north.

13 But there would be no way to physically
14 aggregate that gas back and forth between the two.

15 **Q. Okay. But at some city gates that can --**

16 A. Some city gates it could.

17 CHAIRMAN LAVAR: Okay. Thank you.

18 I don't have anything else. Ms. Clark?

19 MS. CLARK: I have nothing more.

20 CHAIRMAN LAVAR: Okay. Thank you,

21 Mr. Schwarzenbach.

22 THE WITNESS: Thank you.

23 CHAIRMAN LAVAR: Mr. Olsen, would you like to
24 call your first witness now or would you prefer we take
25 a break now?

1 MR. OLSEN: I'll call Kevin Mangelson now.

2 I don't anticipate that will take a great deal of time.

3 CHAIRMAN LAVAR: Okay. Mr. Mangelson, do you
4 swear to tell the truth?

5 THE WITNESS: Yes.

6 CHAIRMAN LAVAR: Mr. Olsen?

7 GAVIN MANGELSON,
8 having first been duly sworn, was
9 examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. OLSEN:

12 Q. Mr. Mangelson, would you state your full name
13 for the record, please?

14 A. Gavin Mangelson. M-a-n-g-e-l-s-o-n.

15 Q. And what is your position with the Office?

16 A. I'm the utility analyst.

17 Q. Did you prepare or have -- assist in the
18 preparation of rebuttal testimony in this docket dated
19 July 31st, 2015?

20 A. Yes.

21 Q. Do you have any changes or modifications
22 to that testimony at this time?

23 A. No.

24 MR. OLSEN: We would ask that it be admitted.

25 CHAIRMAN LAVAR: Any objection from any party

1 to admitting the rebuttal testimony of Mr. Mangelson?

2 MS. CLARK: No.

3 MS. SCHMID: No.

4 CHAIRMAN LAVAR: It will be admitted.

5 Thank you.

6 (Exhibit OCS 2R marked and admitted)

7 BY MR. OLSEN:

8 **Q. Do you have any summary you would like to**
9 **present?**

10 A. Yes. The summary of my testimony is that
11 previous workgroups and discussions relating to this
12 issue have not produced a resolution and that these
13 discussions have been highly contentious.

14 I conclude, therefore, that a task force would
15 likely be unsuccessful in determining an equitable rate
16 agreed upon by the participants.

17 Furthermore, if the Commission finds that a fee
18 is warranted or necessary, we would like them to remedy
19 that inequity in its order rather than allow the inequity
20 to continue through the duration of the task force
21 process.

22 **Q. Does that conclude your summary?**

23 A. Yes.

24 MR. OLSEN: Mr. Mangelson is available for
25 cross-examination.

1 CHAIRMAN LAVAR: Ms. Clark?

2 MS. CLARK: The Company has no
3 cross-examination for Mr. Mangelson.

4 CHAIRMAN LAVAR: And, Ms. Schmid?

5 CROSS-EXAMINATION

6 BY MS. SCHMID:

7 Q. Thank you. I have just a couple.

8 In your rebuttal testimony, you state that the
9 Office opposes the Division's recommendation that the
10 Commission limit its current order to a finding that a
11 rate for fee is necessary and delegate the determination
12 of such a fee to a task force.

13 That's on page four, lines 74 through 77
14 of your rebuttal. Did I read that correctly?

15 A. I believe so.

16 Q. Do you understand that the Division is now
17 recommending that the Commission issue an order charging
18 transportation service customers for the 1.7 million
19 on a flat fee basis?

20 A. I do understand that that has been put forth
21 in Mr. Wheelwright's surrebuttal.

22 MS. SCHMID: Thank you. That's all my
23 questions.

24 CHAIRMAN LAVAR: Nothing else? Okay.

25 Mr. Dodge?

1 MR. DODGE: No questions.

2 CHAIRMAN LAVAR: Mr. Cook?

3 MR. COOK: No questions.

4 CHAIRMAN LAVAR: Mr. Williams?

5 MR. WILLIAMS: No questions.

6 CHAIRMAN LAVAR: Okay. Thank you. Oh.

7 I'm sorry. Commissioner White?

8 COMMISSIONER WHITE: No.

9 CHAIRMAN LAVAR: Commissioner Clark?

10 COMMISSIONER CLARK: We're the potted plants.

11 I have no questions.

12 CHAIRMAN LAVAR: I have none. Thank you,

13 Mr. Mangelson. Would this be an appropriate time,

14 Mr. Olsen, for a break?

15 MR. OLSEN: It strikes me that it would.

16 I suspect we'll be more than five minutes. So, perhaps

17 it will be a good time.

18 CHAIRMAN LAVAR: Okay. Shall we take a lunch

19 break until 1:00 p.m.? Any objection to that?

20 (No verbal response)

21 CHAIRMAN LAVAR: We'll be in recess.

22 Thank you.

23 (Lunch recess 12:50 p.m. to 1:01 p.m.)

24 CHAIRMAN LAVAR: We are back on the record.

25 We'll go with Mr. Olsen.

1 MR. OLSEN: Thank you. The Office would like
2 to call Jerome Mierzwa.

3 CHAIRMAN LAVAR: MR. Mierzwa, do you swear to
4 tell the truth?

5 THE WITNESS: Yes, I do.

6 JEROME MIERZWA,
7 having first been duly sworn, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. OLSEN:

11 Q. Mr. Mierzwa, would you please state your full
12 name for the record, please?

13 A. My name is Jerome B. Mierzwa. The last name
14 is spelled M-i-e-r-z-w-a.

15 Q. And for whom are you employed?

16 A. I am employed by Exeter Associates, Inc.

17 Q. And why are you here today?

18 A. To present testimony on behalf of the Office
19 of Consumer Services.

20 Q. Did you prepare or cause to be prepared direct
21 testimony filed on July 21st, 2015 in this proceeding?

22 A. Yes. That was my amended testimony.

23 Q. And did you also prepare or cause to be
24 prepared surrebuttal testimony filed on August 14th,
25 2015?

1 A. Yes, I did.

2 Q. Do you have any -- the one amendment that came
3 in officially on the direct testimony, do you have any
4 further amendment to either of those?

5 A. Not that I'm aware of.

6 Q. And if I were to ask you all the questions in
7 those documents, would your answers still be the same?

8 A. Yes, they would.

9 MR. OLSEN: Your Honor, we would ask that they
10 be submitted.

11 CHAIRMAN LAVAR: Any opposition from anyone?

12 MS. CLARK: No.

13 MS. SCHMID: None from the Division.

14 CHAIRMAN LAVAR: Okay. They'll be admitted.

15 (Exhibit OCS 1D and Exhibit OCS 1S
16 marked and admitted)

17 BY MR. OLSEN:

18 Q. Do you have a summary?

19 A. Yes. I have a summary of my direct testimony.
20 In my direct testimony filed on behalf of the Office
21 of Consumer Services as amended on July 21st, 2015,
22 I described a proposal of Questar Gas Company to assess
23 transportation customers a charge of 19.064 cents per
24 dekatherm of daily imbalances between nominated volumes
25 and usage that exceeds five percent.

1 And that indicated I was in general agreement
2 with the Company's proposal. I then responded to the
3 testimony of several intervening parties who also
4 presented direct testimonies in this proceeding.

5 In responding to the intervening parties,
6 I disagreed with a proposal to establish a workshop
7 process to address the proposed charge.

8 I also disagree with a number of proposals
9 to modify the calculation of the charge. I then noted it
10 was common for gas utilities to assess balancing charges
11 and that Questar Gas currently assessed no such charge.

12 Finally, I noted that an alternative to
13 assessing a charge on daily imbalances greater than five
14 percent, the company could adopt a volumetric balancing
15 charge which I calculated at 3.657 cents per dekatherm.

16 **Q. Does that conclude your summary?**

17 **A.** Yes, it does.

18 **MR. OLSEN:** Mr. Mierzwa is available for
19 cross-examination.

20 **CHAIRMAN LAVAR:** Okay. Ms. Clark?

21 **MS. CLARK:** The Company has no cross.

22 **CHAIRMAN LAVAR:** Okay. Ms. Schmid?

23 **MS. SCHMID:** The Division has no cross.

24 **CHAIRMAN LAVAR:** Okay. Mr. Dodge?

25 **CROSS-EXAMINATION**

1 BY MR. DODGE:

2 Q. You'll be surprised to know that
3 I do. Mr. Mierzwa, good afternoon and welcome to Utah.

4 A. Good afternoon. Thank you.

5 Q. In your testimony, and you don't need to refer
6 to it specifically. I think you'll recall. You
7 basically said in your view balancing charges and issues
8 depend upon the specific circumstances of each utility.

9 Is that a fair statement?

10 A. That's a fair assessment.

11 Q. Having said that, you will agree, will you not,
12 that in terms of a proposal to impose a daily balancing
13 requirement with a penalty or a charge on top of that
14 is fairly unusual among the utilities you're aware of,
15 is that a fair statement, as opposed to a balancing
16 charge on all volumes?

17 A. A balancing charge on all volumes is more
18 common but I wouldn't say it's unusual to assess a daily
19 charge. I mean, it's not unique, certainly not unique,
20 but the monthly balance is more common.

21 Q. Of the ones that have been identified in this
22 docket by you and or the company, the only ones I have
23 located that have that kind of approach, I'd like to walk
24 through and see if you are familiar with them. The first
25 one is Southwest Gas.

1 I see from your resumé, you have testified
2 in Southwest Gas dockets; is that correct?

3 A. I don't think that -- yes. I think I did.
4 I don't think it was this century.

5 Q. Believe me, I know what you're talking about.
6 Do you understand that the Southwest Gas tariff
7 allows a 25 percent imbalance allowance?

8 A. I have not looked at the Southwest tariff in
9 years.

10 Q. And would it surprise you -- apparently it did
11 Mr. Schwarzenbach, but would it surprise you to know that
12 in Southwest, they allow the agents to indicate -- that
13 the intolerance is measured at the agent level and the
14 agent indicates to whom imbalance consequences should be
15 charged?

16 A. I don't know what Southwest does. It wouldn't
17 surprise me.

18 Q. I'd like to hand you a page from the tariff and
19 just see if you have any reason to disagree that this is
20 a provision that Southwest tariff's dealing with.

21 And I'll represent to you, Mr. Mierzwa,
22 that this was downloaded from the internet using a site
23 provided either by you or by the company. I don't know
24 exactly who gave that site in a data response.

25 And I think the Commission can take

1 administrative notice of tariffs of other utilities.
2 I don't think we need to spend a lot of time on it,
3 but I'd like you to just look at paragraph 6C. And this
4 is an incomplete part of the tariff. I've got more of it
5 if you want to look at it or the whole thing which is
6 800-plus pages long electronically if you would.

7 But 6C indicates -- it deals with nominations,
8 and then the sentence I'm focused on in the middle there
9 reads -- and tell me if I read this wrong.

10 "The customer or Agent must specify, prior to
11 the flow day, the method to be used by the Utility
12 for allocating imbalances among individual
13 customers. If the allocation method is not
14 specified prior to the flow day, the Utility will
15 allocate any imbalances pro rata from the Cycle 1
16 Nomination."

17 Did I read that correctly?

18 A. Yes, you did.

19 Q. Now, if you accept my representation that
20 this is from the current Southwest tariff, it would
21 appear that whatever the consequences of the daily
22 imbalance restriction Southwest imposes is dealt with
23 at the agent level and the agent indicates what happens
24 when there are consequences when there are imbalances.

25 Is that how you would read that?

1 A. That is how I would read that.

2 MR. DODGE: Another utility that -- and I guess
3 I should mark this as cross X UAE 2. And again, I would
4 indicate, Mr. Chairman, that although I think you would
5 take administrative notice, I'll move it be admitted as a
6 cross X exhibit just for convenience.

7 CHAIRMAN LAVAR: Any objection from any party?

8 (No verbal response)

9 CHAIRMAN LAVAR: Okay. It'll be admitted.

10 (Cross Examination Exhibit UAE 2 marked and
11 admitted)

12 BY MR. DODGE:

13 Q. Another utility, and I believe you identified
14 this one, is Vectren. You're familiar with a the Vectren
15 utility?

16 A. I'm familiar with the Vectren utilities. I did
17 not identify Vectren as having balancing charges.

18 Q. Oh. I apologize. I think you're right.
19 I think it was a company. Vectren's located in Ohio?

20 A. Vectren is in Indiana.

21 Q. Oh. Sorry.

22 A. There is also a Vectren of Ohio. There's two
23 Indiana companies and an Ohio company.

24 Q. I'm sorry. And I should have specified. This
25 is Vectren Energy Delivery of Ohio. And again, I'm going

1 to hand you a page. And again, I have the tariff here or
 2 the entire thing electronically if there's a desire for
 3 it. But I'm going to hand you just one page from the
 4 Vectren tariff. And I'll ask that be marked Cross X
 5 UAE 3. And I'm going to start with --

6 (Cross Examination Exhibit UAE 3 marked)

7 BY MR. DODGE:

8 Q. Would you accept subject to check that Vectren
 9 imposes a 15 percent daily tolerance requirement and then
 10 cashes out imbalances if they're in excess of that
 11 15 percent on a commodity basis? Are you familiar with
 12 that, with Vectren of Ohio?

13 A. No. I'm not familiar with -- I did a
 14 management audit of Vectren Ohio something like 2006.
 15 I don't know. These tariffs, it looked like they were
 16 approved in 2010. So, I'm not familiar with --

17 Q. (Overlapping voices).

18 A. That's my estimate. That's -- maybe a year or
 19 two off.

20 Q. If you accept, again subject to check, that
 21 they impose a daily intolerance level like the company
 22 here is proposing and then a consequence on top of
 23 that -- and in this case it's a commodity cashout.

24 In the applicability provision of this tariff
 25 dealing with nomination balancing, do you agree with me

1 that it reads that for purposes of nomination and
2 balancing provisions, the term transporter shall mean
3 pool operator and non-pooling transportation customer?

4 A. I'm sorry. Where are you?

5 Q. At the very top of this page under
6 applicability, the second sentence in that. In other
7 words, for the balancing and nominating provisions of
8 Vectren, they define transporter as either the pool
9 operator or a non-pooling transportation customer.

10 Do you see what I'm referring to?

11 A. I'm sorry. Top paragraph?

12 Q. Yeah. Did I hand you the right page?
13 It says applicability at the very top?

14 A. No. I got Daily Balancing Provision.

15 Q. Shoot. I copied the wrong page. I'm sorry.
16 That's my fault. I'm sorry. I'm going to hand you --
17 I apologize to the rest of you. Maybe at a break I can
18 make copies. I think I gave Mr. Wheelwright the wrong --
19 it got sided, this page. The copy, I have it two sided.

20 With your indulgence, Mr. Chairman, I'll ask
21 him a question on it and then provide copies and we can
22 get them before cross-examination or further examination
23 if people want to. But under the applicability at the
24 top of that page --

25 A. I still -- I think I still have the wrong page.

1 (Discussion off the record)

2 BY MR. DODGE:

3 Q. Okay. I'm going to hand you mine. I'm sorry.
4 I've really messed this up. I know I have a couple more
5 copies of it somewhere.

6 So, if you'll read the second paragraph under
7 the applicability sentence paragraph of that tariff.

8 A. I've read it.

9 Q. If you'd read it out loud, please.

10 A. "For the purposes of these nomination and
11 balancing provisions only, the term transporter
12 shall mean pool operator and non-pooling
13 transportation customer."

14 Q. Is it your understanding that Vectren of Ohio
15 allows pools?

16 A. This is what the tariff would indicate.

17 Q. And that the balancing and nomination
18 requirements are allowed at the pooling level if you're
19 a member of the pool?

20 A. That's what the tariff says.

21 Q. Now, I'm going to get this right eventually.

22 You testified I believe that another utility,
23 National Fuel, also has a daily imbalance requirement
24 for one of its schedules; is that right?

25 A. Yes.

1 Q. And that's referred to as DTS or daily
2 transportation service? Or is that -- I'm sorry. That's
3 East Ohio. Let's get it right.

4 DMT for daily metered transportation?

5 A. Yes, that's right.

6 Q. And another option is monthly metered
7 transportation; right?

8 A. Yes, it is.

9 Q. And I know you've testified a lot under --
10 in national Fuel proceedings; is that correct?

11 A. Yes, I have.

12 Q. So, you're probably more familiar with that
13 one. But is it not the case there that if you're a
14 transportation customer, you can elect a monthly metered
15 service in which you pay a balancing charge on all
16 volumes you transport or you can elect a daily
17 transportation service, DMT, daily metered
18 transportation, in which you have a two-percent tolerance
19 on over deliveries?

20 Above that, it's cashed out on a commodity
21 level and a zero percent tolerance on under deliveries
22 and under deliveries are cashed out.

23 Is that relatively accurate?

24 A. Yeah. Those are the options that National Fuel
25 provides.

1 Q. And National Fuel does allow pooling; is that
2 right?

3 A. Yes, they do.

4 Q. And so, if I'm a member of a pool and my pool
5 chooses the daily metered transportation recognizing that
6 that's I think a rare schedule for customers to use with
7 National Fuel --

8 A. I don't think it's rare.

9 Q. Is it not rare? Their Web site, I think
10 Mr. Higgins -- you read Mr. Higgins' testimony where he
11 cited on the Web site where it says few customers will
12 probably choose this option?

13 A. The larger customers choose the option.

14 Q. The larger? For those, if they do DMT and they
15 do it through a pool, they are allowed to have those
16 imbalance restrictions imposed at the pool level;
17 correct?

18 A. Correct.

19 Q. Now, I at least -- I at least was unable to
20 find any other utility of all the ones you cited to,
21 that has a daily restriction with a consequence for
22 failure to -- for exceeding that restriction, period.
23 Those are the only three I found that had that with
24 one possible exception of East Ohio Gas.

25 Are you familiar with East Ohio?

1 A. Yes, I am. I'm just trying to think if they
2 changed the name. No. It is East Ohio still.

3 Q. Is it Dominion East Ohio or what --

4 A. It used to be Dominion.

5 Q. I think it may be Dominion East Ohio.

6 And is it consistent with your memory that
7 Dominion East Ohio or East Ohio Gas has an option rule
8 service for GTS or DTS, general or daily, one of which
9 has a charge on all volumes and you choose a tolerance
10 level, two percent, four percent, six percent,
11 eight percent, and the charge is differentiated?

12 Are you familiar with that?

13 A. Yes, I am.

14 Q. Or you can choose daily where you're charged
15 only on all imbalances over five percent.

16 Are you familiar with the daily --

17 A. Yes.

18 Q. -- transportation? So again, I would represent
19 to you that of all the ones that you've cited to -- and
20 I'll tell you, I spent hours reading them because these
21 tariffs are real fun to read.

22 Of all the ones that you showed us, those are
23 the only ones I found that use an approach like the
24 utility's proposing here where they impose a restriction
25 and then a consequence on top of that. And everyone of

1 them allowed that to be done at the pooling or an agent
2 level. Do you have any reason to disagree with that?

3 A. Well, I think we also brought up Delaware Power
4 and Light which provides zero balance -- zero tolerance
5 and assesses charges.

6 Q. Well, that's just a charge on all volumes.

7 A. No, it's not.

8 Q. It's not a charge on all volumes?

9 A. It only charges on imbalance. They refer to it
10 as excess --

11 Q. All imbalances. Yes. I'm sorry. And in
12 Delaware, they allow aggregation and pooling; right?

13 A. Yes, they do.

14 Q. So, it would be a charge on the aggregated
15 pools imbalance, not on an individual customer?

16 A. Yes. The charge is assessed on the pool.

17 Q. So, again, I've not located any utility in the
18 country that imposes a charge on imbalances greater than
19 a specified level, any kind of charges, that does not
20 also allow customers to choose a pool or an agent for
21 purposes of aggregating those imbalances for calculation
22 of penalty. Are you familiar with one that we haven't
23 talked about?

24 A. No, I'm not, but I have not gone and checked
25 every tariff that I'm aware of or company that I'm aware

1 of.

2 Q. It's true, is it not, Mr. Mierzwa, that many of
3 the utilities that you are familiar with and in which in
4 dockets of which you've testified that deal with charging
5 transportation customers for balancing services, that in
6 many of those, the LVC purchases upstream services both
7 for their transportation customers and for their general
8 service or their sales customers and then allocates the
9 costs among them in some manner.

10 Is that a fair statement?

11 A. Some of them do that, yes.

12 Q. Isn't that most of them that you've testified
13 about or that you indicated in your daily request
14 response?

15 A. It's a fair percentage. It's probably most but
16 I don't know if it's 50-50, 60-40. Something like that.

17 Q. And isn't true that in most of those cases,
18 the goal in -- the process in a rate case is to identify
19 the portion of the upstream services that were purchased
20 specifically for the transportation customers and
21 allocate those costs and other costs for the services
22 that were purchased for sales customers?

23 A. Those costs -- those allocations are examined
24 at purchase cost -- purchase gas cost proceedings.

25 Q. Right. My point is -- well, let me not say

1 that. Isn't it accurate that in cases that you've
2 testified in on daily balancing charges, your testimony
3 is typically aimed at identifying those upstream services
4 that the LDC has specifically contracted for for the
5 benefit of transportation customers as opposed to other
6 customers and allocating those costs based on for whom
7 they were incurred?

8 A. That's what I generally testify in balancing
9 charges, yes.

10 MR. DODGE: And consistent with that, I'm going
11 to hand you one more exhibit that I'll ask to have
12 marked, if I may approach.

13 CHAIRMAN LAVAR: Yes.

14 (Cross Examination Exhibit UAE 4 marked)

15 BY MR. DODGE:

16 Q. I'll ask to have marked as Cross Examination
17 Exhibit UAE 4. And I'll indicate that these are the
18 cover page and then one page out of the four pieces
19 of testimony that you provided to us in response to a
20 daily request, your testimony in various dockets.

21 And I'll ask you to turn -- and I hope yours
22 are in the same order mine are in.

23 The first page of mine is National Fuel,
24 your direct testimony March 6, 2015; is that correct?

25 A. Yes, it is.

1 Q. Okay. If you'll turn to the back which is
2 page five of your testimony, I'll read the first answer,
3 the Q on line two is:

4 "How does NFGD determine the amount of
5 interstate pipeline capacity to reserve?

6 Your answer was:

7 "NFGD reserves capacity sufficient to meet the
8 anticipated design day requirements of its PGC sales
9 customers, Choice transportation customers and the
10 balancing requirements of Monthly Metered
11 Transportation, ('MMT') and Daily Metered
12 Transportation ('DMT') customers."

13 I'm going to pause there and indicate again,
14 in this context, National Fuel expressly reserves
15 upstream capacity in order to provide balancing services
16 for all those transportation classes; right?

17 A. Yes. And that would be the capacity that the
18 transportation customers were using for balancing
19 service.

20 Q. Right. And they wouldn't have purchased them
21 if they didn't have those balancing requirements. They
22 would have purchased less of those services; right?

23 In other words, they look at the design day
24 needs of all their customers and contract for that amount
25 of capacity, not just for the capacity needed for the

1 design day of the gas supply customers; correct?

2 A. That's correct.

3 Q. If you'll turn the page, this is your direct
4 testimony, again, if it's in the right order, in
5 Chesapeake Utilities in Delaware, December 15, 2014.

6 If you'll turn to page eight of that, the top
7 question on that line six are there aspects of the
8 company's amended application with which you agree, you
9 start with:

10 "A, yes, I agree with Chesapeake's proposal
11 to release excess upstream pipeline capacity into
12 the open market."

13 And then it's the next sentence, two sentences,
14 that I want to focus on:

15 "I also agree with the Company's proposal
16 to assess GS, EGS, MVS, and EMVS transportation
17 customers a balancing charge. This is appropriate
18 because the Company is required to maintain
19 interstate pipeline capacity to meet the design day
20 balancing requirements of these customers."

21 Now, my question is, that distinguishes,
22 like National Fuel, the one we just looked at -- this is
23 distinguished from the circumstance here where the
24 utility has testified it does not reserve any additional
25 upstream capacity in order to provide balancing services

1 for these customers.

2 In other words, it has testified it would need
3 the same regardless. It's just that it's there and being
4 used. Do you agree that that's a distinguishing
5 characteristic between the Chesapeake situation and here?

6 A. Yes, it is. And it's still a service -- if the
7 company wasn't buying any additional capacity, they would
8 still be providing some sort of balancing service that
9 was being used by the transportation customers.

10 Q. I understand that's the argument, but I'm
11 trying to point out your testimony where you supported
12 balancing charges. At least all the ones I looked at
13 all are in the context of identifying a portion of the
14 upstream services purchased for the benefit of
15 transportation customers, not where they were all
16 purchased for the benefit of the GS but there's some gas
17 service customers but that there's some argument that
18 they are being used by them, so they ought, in fairness,
19 allocate them a charge.

20 You've never testified in a docket like that,
21 have you, other than this one?

22 A. I don't recall. I've not gone back and looked
23 at each one but I just don't recall ever doing so.

24 Q. I can represent, of the ones you supplied me,
25 I couldn't find anything like that. I found these where

1 you're directly assigning the costs of services purchased
2 for transportation as opposed to coming up with a way to,
3 in fairness, charge someone for using the service
4 purchased for someone else. I'll just quickly go through
5 the last two. The last two are -- the next one, is it
6 pronounced UGI? U-G-I?

7 A. UGI.

8 Q. UGI Utilities. And this is in Pennsylvania,
9 March 1994. If you'll turn to the testimony on the back,
10 page 19, you indicate, beginning on line five, this is a
11 slightly different issue beginning on -- the sentence
12 that begins on line five:

13 "UGI's larger interstate pipeline suppliers,
14 specifically Texas Eastern Transmission and
15 Transcontinental Gas Pipe Line, permit positive
16 and negative daily imbalance tolerances of
17 10 percent for basic transcription service.

18 "Therefore, positive daily imbalance tolerances
19 on the UGI system should be limited to 10 percent,
20 and a penalty assessed for positive imbalances
21 which exceed 10 percent.

22 "This would result in the imposition of the
23 same balancing requirements on UGI's transportation
24 customers as is placed on UGI by its interstate
25 pipeline suppliers."

1 Did I read that correctly?

2 A. Yes, you did.

3 Q. Now, in that context, because the upstream
4 pipeline imposed a ten percent tolerance, you suggested
5 that the charges should be imposed on the balances
6 in excess of ten percent; correct?

7 A. Yeah. This testimony was 1994. It was 20
8 years ago, but I think in this situation, I don't believe
9 the utility was assessed any charges from the interstate
10 pipeline for any, you know, once you exceed the
11 imbalance. And this -- and no-notice service kicks in
12 right away on Questar. I don't believe that it was the
13 case for UGI.

14 Q. They may not have had no notice is what you're
15 saying?

16 A. No. I'm saying there was no charge for --
17 the utility didn't start incurring charges at --
18 imbalance for one dekatherm.

19 Q. Well, and nor do they on Questar Pipeline if
20 you're transportation customers. There's a five percent
21 intolerance; right?

22 A. If you're a direct customer.

23 Q. Yes. So, wouldn't that be consistent with your
24 testimony in '94 -- and the principles stay the same even
25 though it's many years ago, that because Questar Pipeline

1 allows a five percent tolerance, the penalties ought to
2 be imposed only for imbalances in excess of that.

3 A. Well, again, this is 20 years ago, and I don't
4 think the utility incurred any charges which is different
5 than here.

6 Q. Nor do they here for transportation customers.
7 They buy that, all of the no notice for sales customers.

8 A. No. But the utility is assessed a charge
9 if the transportation customer's out of balance.

10 Q. Not if it's the first five percent if it's on
11 an individual customer basis.

12 A. No. I'm talking about the utility being
13 assessed the charge.

14 MS. CLARK: I'm going to object to the
15 underlying supposition to the question because I think
16 it mischaracterizations testimony given earlier today.
17 BY MR. DODGE:

18 Q. Okay. I'll move on. The next page is your
19 testimony in 2010, Equitable Gas Company, also
20 Pennsylvania; right? And again, on the question
21 on line 15, page five was:

22 "Does Equitable reserve pipeline capacity
23 to meet the requirements of all of its customers?"

24 You're your answer was:

25 "No. Equitable reserves sufficient capacity

1 to meet the design peak day requirements of its
2 PGC sales customers and small transportation
3 customers participating in the Company's
4 customer choice program."

5 That's where customers can then be
6 transportation customers in a pool; correct?
7 Customer choice. They get to choose their supplier?

8 A. A customer choice program is a program where
9 residential customers become transportation customers.

10 Q. That's what I mean. That's what I was trying
11 to say. They get to join the pool and choose their
12 supplier; right?

13 A. They don't join a pool. They select a
14 supplier. The supplier is the pooling agent.

15 Q. Right. Yeah. It is a pool; right?

16 The customer --

17 A. The customer doesn't select the pool.
18 The customer selects the supplier.

19 Q. They select the supplier and the supplier
20 is the pool?

21 A. Right.

22 Q. And then it goes on:

23 "Larger transportation customers are generally
24 responsible for securing their own capacity;
25 however, Equitable does reserve capacity to meet

1 the balancing and standby service requirements
2 of larger transportation customers."

3 So, you go on to say, even though they're
4 responsible for their own transportation which is the
5 same situation in Utah, that they should be assigned some
6 charges because Equitable reserves capacity specifically
7 to meet their needs in terms of standby imbalancing.

8 Again, the question I'm asking is, you
9 acknowledge, do you not, that those circumstances are
10 different than here where the company has testified
11 it would reserve the exact same amount of no notice,
12 storage, and transportation capacity for its sales
13 customers even if they had not one transportation
14 customers?

15 A. Yes. The circumstances are different.
16 Questar does not reserve capacity for transportation
17 customers.

18 Q. So, maybe a different analysis on the fairness
19 of a rate ought to be employed, don't you think, than
20 what you might do in the typical cost allocation?

21 A. Well, I've not assigned a specific package of
22 capacity to transportation customers in this proceeding.

23 Q. And then lastly, Mr. Mierzwa, on lines 69 and
24 70 of your surrebuttal, and you can turn there if you'd
25 like. I said that -- actually, I'm going to ask one

1 question before that and if I've already asked it and
2 you've answered it, feel free to tell me because
3 I honestly don't remember.

4 Of the utilities you are familiar with that
5 assess some kind of a balancing charge to transportation
6 customers, is it a fair statement that virtually all of
7 them allow pooling for nomination, balancing, and other
8 purposes?

9 A. Yes. Most of them allow pooling.

10 Q. Okay. Now, back to the question I was going
11 to ask. Are you advocating in lines 69 and 70 that the
12 commission impose a charge now even if it may be too high
13 to make up for what you think is the failure to charge
14 in the past, failure to charge for these services
15 in the past?

16 A. That would not be unreasonable.

17 Q. Do you in states you've testified in not have a
18 concept of retroactive ratemaking?

19 A. It's not retroactive ratemaking. The charges
20 would not be assessed on past usage which is what
21 retroactive ratemaking entails. Retroactive ratemaking
22 is not based on future activity.

23 Q. I'm not going to get into a legal argument
24 with you because you're not a lawyer; right?

25 A. No, I'm not.

1 Q. And you're probably not familiar with law,
2 but is it your position that retroactive ratemaking only
3 applies, your understanding, when you charge for
4 future -- for past uses without charging it into the
5 future? I mean, I'm trying to understand what you're
6 saying. If someone says, gosh, we should have charged
7 you a hundred dollars more last year, so we're going
8 to charge it on your future dekatherms, to you,
9 is that not retroactive ratemaking?

10 A. Not if the FERC level which is where they dealt
11 with retroactive ratemaking was dealt with at FERC for
12 take or pay and where before Order 636 companies did not
13 purchase the gas from the suppliers that they had
14 promised to purchase and incurred minimum bill charges
15 and companies were trying to assess utilities based on
16 their failure to buy gas from the pipeline which would
17 have been considered retroactive ratemaking charges where
18 the take-or-pay charges were then collected in the future
19 from those customers but not based on past usage but
20 current usage.

21 Q. But without debating the point, is it fair to
22 say, you're not familiar with whether the state of Utah
23 may have -- the Supreme Court of Utah or this Commission
24 may have a retroactive ratemaking prohibition that may
25 differ from that? You wouldn't know; I take it?

1 A. I would not know.

2 MR. DODGE: Thank you. I have no further
3 questions.

4 CHAIRMAN LAVAR: Mr. Cook?

5 MR. COOK: No questions.

6 CHAIRMAN LAVAR: Mr. Williams?

7 MR. WILLIAMS: No questions.

8 CHAIRMAN LAVAR: Mr. Olsen?

9 MR. OLSEN: We have nothing further.

10 CHAIRMAN LAVAR: Nothing further? Okay.
11 Commissioner White?

12 COMMISSIONER WHITE: No.

13 CHAIRMAN LAVAR: Commissioner Clark?

14 COMMISSIONER CLARK: No questions.

15 EXAMINATION

16 BY CHAIRMAN LAVAR:

17 **Q. I have one. I think this is a different**
18 **question than Mr. Dodge was just asking.**

19 **Looking at that same section of your**
20 **surrebuttal, is it your testimony that the rate proposed**
21 **in this docket would compensate for previous years of**
22 **inequitable recovery?**

23 A. No, I'm not.

24 CHAIRMAN LAVAR: Okay. Thank you.

25 Anything else, Mr. Olsen?

1 MR. OLSEN: We have no further witnesses,
2 Your Honor.

3 CHAIRMAN LAVAR: Okay. Ms. Schmid?

4 MS. SCHMID: The Division would like to call
5 its witness, Mr. Douglas Wheelwright.

6 Could he please be sworn?

7 MR. DODGE: Mr. Chairman, if I failed to,
8 I should move the admission of those cross-examination
9 exhibits. I think I did the first one. I may have
10 forgotten the next two.

11 CHAIRMAN LAVAR: Yes. Well, I'm not sure we
12 have in our possession number three.

13 MR. DODGE: Oh. I can get that for you.

14 CHAIRMAN LAVAR: Okay. But did you want to
15 move for number four?

16 MR. DODGE: Yes. I'd move for number four.

17 CHAIRMAN LAVAR: Any objections?

18 MS. SCHMID: None.

19 MS. CLARK: No objection.

20 CHAIRMAN LAVAR: Okay. It's entered.

21 Thank you.

22 (Cross Examination Exhibit UAE 4 admitted)

23 CHAIRMAN LAVAR: Mr. Wheelwright, do you swear
24 to tell the truth?

25 THE WITNESS: Yes, I do.

1 CHAIRMAN LAVAR: Thank you.

2 DOUGLAS D. WHEELWRIGHT,
3 having first been duly sworn, was
4 examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MS. SCHMID:

7 Q. Good afternoon.

8 A. Good afternoon.

9 Q. Could you please state your full name,
10 employer, title, and business address for the record?

11 A. Yes. My name is Douglas D. Wheelwright.
12 I'm employed by the Division of Public Utilities as a
13 technical consultant. My business address is 160 East
14 300 South here in Salt Lake City.

15 Q. On behalf of the Division in connection with
16 your employment, have you participated in this docket?

17 A. Yes, I have.

18 Q. Could you please briefly describe your
19 participation?

20 A. I've reviewed the information as filed by the
21 Company and the testimony of the intervening parties.

22 Q. Did you also prepare or cause to be prepared
23 under your direction which has been premarked as
24 DPU Exhibit 1.0D the prefilled -- your direct prefilled
25 testimony? And that was filed on July 2nd, 2015;

1 And also your surrebuttal testimony marked for
2 identification as DPU Exhibit 1.0SR and that was filed
3 on August 14th, 2015?

4 A. Yes, I did.

5 Q. Do you have any changes or directions
6 corrections?

7 A. No, I don't.

8 Q. If I were to ask you the same questions as are
9 in your testimonies today, would your answers be the
10 same?

11 A. Yes, they would.

12 Q. Do you have a summary to present?

13 A. Yes, I do.

14 MS. SCHMID: But before we go to there, I'd
15 like to move for the admission of DPU Exhibit 1.0D and
16 DPU Exhibit 1.0SR and any exhibits attached thereto.

17 CHAIRMAN LAVAR: Any objection from any party?

18 (No verbal response)

19 CHAIRMAN LAVAR: They're admitted.

20 Thank you.

21 (DPU Exhibit 1.0D and DPU Exhibit 1.0SR
22 marked and admitted)

23 BY MS. SCHMID:

24 Q. Please proceed.

25 A. Good afternoon, commissioners.

1 In the company's filing, there are two main
2 objectives to consider in this docket. First, the
3 Company is seeking to assign costs to transportation
4 customers for the supplier non-gas services that are used
5 on the Questar Gas system.

6 Second, the Company would like to improve the
7 nomination process so the gas nominations for each
8 customer are more closely aligned with the actual usage.

9 Issues surrounding the proper the nomination of
10 natural gas by transportation customers and their agents
11 has been a concern in previous dockets and continues
12 to be a concern to the Company.

13 There are approximately 300 customers that have
14 chosen to contract for transportation services. While
15 the number of transportation customers is relatively
16 small, the volume of gas used by these customers
17 represents approximately 25 percent of the total annual
18 volume on the Questar Gas system with volumes heavily
19 weighted toward the larger customers.

20 Small customers in this class have an annual
21 usage as low as 2500 dekatherms per year, while the
22 largest customer uses 6.6 million dekatherms per year.

23 The ten largest customers account for
24 approximately 58 percent of the total volume and the
25 largest 40 customers represent approximately 80 percent

1 of the transportation volume.

2 The remaining 260 customers in this class
3 represent only 20 percent of the total volume.

4 The Company is asking for Commission approval
5 to allocate approximately \$1.7 million in SNG costs to
6 the customers using transportation services. The 1.7
7 million does not appear to be excessive given the large
8 volume of gas that transportation customers bring to the
9 Questar system and the use of these balancing services.

10 If Commission finds that the allocation of
11 these costs to transportation customers is appropriate,
12 the next question is whether to collect this charge
13 through a flat volumetric rate on all transportation
14 customers or through the allocation process proposed
15 by the Company. Both options will collect the same
16 amount but the impact to individual customers is
17 quite different.

18 Large volume customers will be allocated a
19 greater portion of the charge under the flat volumetric
20 rate while smaller customers will be allocated a greater
21 portion of the charge under the Company's proposed
22 calculation.

23 The second stated goal is to approve the
24 accuracy of the nomination process. The nomination
25 process requires each customer or each customer's agent

1 to estimate and schedule the amount of gas to be needed
2 in advance of the actual burn day.

3 Realtime factors such as weather conditions
4 or manufacturing changes can impact the accuracy of the
5 forecast requirement. While the nominations are
6 estimated in advance, the actual measurement of the
7 volume used or the gas measured at the meter is not
8 available from the Company until at least one day
9 after the gas has already been used.

10 This process of bringing gas to the Questar Gas
11 system based on estimated usage will always have some
12 degree of error and will require some degree of
13 allowance. Based on the Division's review of the
14 historical nomination and usage information, it is
15 apparent that in many instances the daily nominations
16 do not match the actual usage amounts on an individual
17 customer basis.

18 In many cases, marketing companies appear to be
19 entering nominations at the marketing company level or
20 adjusting the nominations for one customer in order to
21 balance the nominations and usage for multiple customers.

22 One possible remedy to improve the nomination
23 process would be to better utilize the provisions already
24 included in the company's tariff.

25 Section 5.09 of the company's tariff currently

1 identifies a plus or minus five percent as the daily
2 imbalance tolerance window for each customer nomination.

3 If nominations are outside the allowed
4 tolerance, the existing tariff allows the Company to
5 impose restrictions. These restrictions may be applied
6 on a system-wide basis, a nominating-party by
7 nominating-party basis, a customer-by-customer basis,
8 or on a geographic area basis.

9 It is the Division's recommendation that the
10 existing tariff could be better utilized to identify
11 and possibly restrict individual customers or marketing
12 companies that may not be in compliance with the allowed
13 tolerance limits.

14 With the current marketing price -- the current
15 market price of natural gas, there will continue to be
16 an economic incentive for customers to utilize
17 transportation services.

18 Given the diverse nature and the increase
19 in the number of the customers using transportation
20 services, the Division would support the creation of a
21 task force or a working group to review and further
22 refine the supplier non-gas costs that would be assigned
23 to this class and to address other issues relating to
24 transportation customers.

25 While a working group may not come to a

1 consensus opinion all the issues, it would be helpful
2 to continue the dialogue on ways to improve the
3 nomination process and possibly find mutually beneficial
4 solutions to these ongoing issues.

5 At the conclusion of the working group, a
6 summary report will be provided to the Commission and
7 other parties would be allowed to provide comments.

8 In summary, the Division agrees with the
9 Company that transportation customers should pay for the
10 services that are being used.

11 The calculated \$1.7 million does not appear
12 to be excessive and will be credited to sales customers
13 through the 191 account.

14 The primary question remaining is the best way
15 to allocate the charge either through a flat volumetric
16 rate or through the calculation proposed by the Company.

17 With a flat rate, the Company will collect a
18 fee for these services and will be required to provide
19 balancing service for all transportation customers.

20 The Company-proposed rate will allow individual
21 customers and marketing companies to be more responsive
22 to the nomination process and could encourage customers
23 to balance the usage and nominations on a daily basis
24 in order to minimize the out-of-balance charges.

25 It is unclear how many customers will try to

1 improve their nominations and how many customers will
2 choose to pay the out-of-balance charges and continue
3 to nominate as they have in the past.

4 As I stated before, the Division recommendation
5 is that the existing tariff would be better utilized and
6 identify possible restrictions on an individual customer
7 or a marketing company basis.

8 And that concludes my summary.

9 Q. Mr. Wheelwright, were you present in the
10 hearing room when Chair Lavar denied the motion to strike
11 the surrebuttal testimony of Michael McGarvey but
12 indicated that the Office and the Division would be
13 allowed to address that surrebuttal testimony?

14 A. Yes, I was here.

15 Q. Do you have any statements to make on that
16 testimony?

17 A. No.

18 MS. SCHMID: Thank you. Mr. Wheelwright is now
19 available for cross-examination and questions from the
20 Commission.

21 CHAIRMAN LAVAR: Ms. Clark?

22 MS. CLARK: The Company has no questions for
23 Mr. Wheelwright.

24 CHAIRMAN LAVAR: Mr. Olsen?

25 CROSS-EXAMINATION

1 BY MR. OLSEN:

2 Q. We just have one. I thought I'd clarify
3 if I can, Mr. Wheelwright. It appears on earlier
4 cross-examination that the statement was made that
5 you were no longer supporting -- and maybe I understood
6 misunderstood this, that you were no longer supporting
7 the workgroup. Perhaps I misunderstood that.

8 Is it your testimony that you are --

9 A. I think a workgroup would be beneficial to all
10 parties.

11 MR. OLSEN: Okay. Thank you. I must have
12 misunderstood. Thank you.

13 CHAIRMAN LAVAR: Anything else, Mr. Olsen?

14 MR. OLSEN: No.

15 CHAIRMAN LAVAR: Mr. Dodge?

16 CROSS-EXAMINATION

17 BY MR. DODGE:

18 Q. Thank you, Mr. Chairman.

19 Mr. Wheelwright, good afternoon.

20 A. Good afternoon.

21 Q. Just a couple of quick questions.

22 The Division has not done an analysis to
23 determine what it believes would be a reasonable revenue
24 requirement that should be imposed upon transportation
25 customers for the use of these services; correct?

1 You've said in your rebuttal, your surrebuttal,
2 you said you don't think the 1.7 is necessarily
3 unreasonable. You've not done an analysis to say
4 what would be reasonable; have you?

5 A. No. We've not done our own independent
6 analysis. We relied on information provided by the
7 Company.

8 Q. And then secondly, you raised in your
9 testimony, I think Mr. Mendenhall this morning referenced
10 it, the fact that by stipulation there is a six cent per
11 dekatherm charge imposed on the municipal transportation
12 rate for balancing services; is that right?

13 A. That's correct.

14 Q. And if you'd like to, that's on page four of
15 your surrebuttal where you talk about that. You quote
16 from the stipulation that approved the adoption of that
17 rate. It's a fair statement, is it not, that, A, in the
18 stipulation itself it says there's no agreement on
19 whether that's a cost-based rate?

20 A. Yes, that's correct.

21 Q. So, reliance upon that in this docket would be
22 reliance upon something that's never been found to be
23 cost based?

24 A. Right.

25 MS. SCHMID: Objection to the extent it

1 calls for a legal conclusion.

2 BY MR. DODGE:

3 Q. Well, yeah. Without trying to call for a
4 legal conclusion. I'm not saying legally.

5 Do you think it would be reasonable to base a
6 decision about what is an appropriate cost-based rate
7 on a stipulation that by it's own terms there's no
8 agreement that it's cost based without first analyzing
9 the cost-based nature of the other charge?

10 A. I think it's pretty clear that in that
11 stipulation they said it's not cost based. That's
12 what the stipulation says.

13 Q. And then lastly, and again, if you want to
14 refer to it, it says in the stipulation that it is
15 intended to compensate for no notice and storage service;
16 right? It says nothing about transportation.

17 A. Can you point me to where you're referring to?

18 Q. Yeah. In the stipulation. Let me find it.
19 I'm sorry. In your surrebuttal on page four. I don't
20 think you have lines on it. The stipulation says --
21 you've italicized and bolded:

22 "QGC believes that this charge will recoup its
23 estimate of the MT customer's share of the company's
24 no-notice service and a portion of storage services
25 they believed are used to balance the daily

1 variation and loads between the forecasted usage
2 of MT customers and their actual usage."

3 Nowhere in there is there a reference to
4 transportation; is there?

5 A. No.

6 Q. And if, in fact, in this docket what the
7 company has said is to recoup just the no notice and
8 storage cost, it would drop that revenue requirement
9 as we showed on this exhibit down to about half of that
10 amount if the transportation component were left out
11 as it apparently was in the MT stipulation?

12 A. Well, I think you're trying to mix two things
13 because we're not trying -- this stipulation says it's
14 not cost based. And you're trying to equate this with a
15 cost-based calculation.

16 Q. Actually, I was trying to reference the
17 company's own statement as to what the six cents was
18 intended to do in that docket. And the quote that you
19 included in your testimony suggest that Questar itself
20 said the goal was to recoup no notice and storage.

21 It said nothing about transportation; correct?

22 A. It didn't say anything about transportation.
23 That's true.

24 MR. DODGE: Thank you. No further questions.

25 CHAIRMAN LAVAR: Thank you. Mr. Cook?

1 MR. COOK: No questions.

2 CHAIRMAN LAVAR: Mr. Williams?

3 CROSS-EXAMINATION

4 BY MR. WILLIAMS:

5 Q. Yeah. I have two questions and some
6 clarifications here. You say in your summary here today
7 that the current market price of gas is an incentive
8 for customers to become transportation customers.

9 Could you elaborate on that, what you meant
10 by that?

11 A. All I was meaning by that is the current market
12 price for gas is lower than the cost of service gas
13 produced by Wexpro.

14 Q. All right. And then, secondly, you also
15 in your summary today, you alluded to I believe existing
16 tariff, I call them tools, be utilized to better
17 incentivize a more accurate nomination.

18 Again, can you elaborate what those would be?

19 A. Well, one of the provisions in the tariff
20 allows the company to place an individual customer
21 or a marketing company on restriction.

22 The company provided information that shows
23 that several customers -- I think it's been testified to
24 today that 80 percent of the customers have been out of
25 balance at any point in time, 80 percent of the

1 nominations.

2 I would envision the company could look
3 at the information that's been provided, identify those
4 customers or those marketing companies that have the
5 greatest degree of imbalance and put those customers on
6 restriction. And if they are on restriction, they're not
7 allowed to go outside that five percent tolerance.

8 MR. WILLIAMS: That's all. Thank you.

9 CHAIRMAN LAVAR: Any redirect?

10 MS. SCHMID: No redirect.

11 CHAIRMAN LAVAR: Okay. Commissioner White?

12 COMMISSIONER WHITE: No questions.

13 CHAIRMAN LAVAR: Commissioner Clark?

14 EXAMINATION

15 BY COMMISSIONER CLARK:

16 Q. Mr. Wheelwright, I believe you were here this
17 morning?

18 A. Yes.

19 Q. And you then heard some references to meetings
20 between the utility and customers I think in early 2014
21 or maybe the first half of 2014 --

22 A. Yes.

23 Q. -- addressing generally at least the issues
24 that are presented in this docket. And I'm just
25 wondering if you participated in any of those meetings.

1 A. I did participate in all of those meetings.

2 **Q. Is there anything in those meetings that gives**
3 **you hope that additional workgroup activity would be**
4 **productive?**

5 A. Yes. I think additional workgroups would be
6 productive. One of the things that has been brought out
7 is the increase in the number of transportation customers
8 over the years. Originally there were a handful of very
9 large customers using transportation services.

10 That has now changed. We have 300 customers
11 using the service with a varying degree of
12 sophistication. Some use -- some high-volume customers
13 will monitor very closely. Others will not.

14 I think the makeup of these customers has
15 changed and I think a good dialogue with all the parties
16 would be helpful.

17 COMMISSIONER CLARK: Thank you.

18 CHAIRMAN LAVAR: Thank you, Mr. Wheelwright.

19 THE WITNESS: Thank you.

20 CHAIRMAN LAVAR: Anything else, Ms. Schmid?

21 MS. SCHMID: Nothing further from the Division.

22 CHAIRMAN LAVAR: I'll ask Mr. Dodge, Mr. Cook,
23 and Mr. Williams, do the three of you have a consensus
24 for order of remaining witness?

25 MR. DODGE: We do. I think we were going to

1 start with Mr. McGarvey with Summit and then we will go
2 to Mr. Medura from CIMA. And after that, we have Jeff
3 Fishman and Kevin Higgins. But at about 4:15, I'd like
4 to do Mr. Swenson, however that fits into that order.

5 CHAIRMAN LAVAR: Okay. We'll go forward that
6 way. Mr. Williams?

7 MR. WILLIAMS: I'd like to call Mr. McGarvey.

8 CHAIRMAN LAVAR: Mr. McGarvey, do you swear
9 to tell the truth?

10 THE WITNESS: I do.

11 CHAIRMAN LAVAR: Thank you.

12 MICHAEL R. MCGARVEY,
13 having first been duly sworn, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. WILLIAMS:

17 Q. Mr. McGarvey, can you please identify yourself
18 and spell your last name?

19 A. My name is Michael Ryan McGarvey,
20 M-c-G-a-r-v-e-y.

21 Q. Thank you. And are you hear in a
22 representative capacity?

23 A. I am. I'm here representing Summit Energy.

24 Q. And what is the address for Summit Energy?

25 A. 90 South Fourth West in Salt Lake City, Utah.

1 Q. Thank you. And what is your position there?

2 A. My position is to contest Questar Gas's
3 proposal.

4 Q. No. As far as your job.

5 A. Oh. My job. I am the director of natural gas
6 trading and marketing for Summit Energy.

7 Q. All right. Thank you.

8 Directing your attention to the direct
9 testimony and the surrebuttal testimony that was filed
10 on your behalf, are you familiar with those?

11 A. I am.

12 Q. Were you instrumental in the preparation?
13 Were they prepared by you or under your direction?

14 A. Yes.

15 Q. And if you were asked the same questions that
16 are contained in those documents today, would the answers
17 still be the same?

18 A. Yes.

19 MR. WILLIAMS: I propose that the direct
20 testimony, surrebuttal testimony of Mike McGarvey
21 be admitted.

22 CHAIRMAN LAVAR: Any objections from any party?

23 MS. SCHMID: None from the Division.

24 MR. OLSEN: No objections subject to our
25 original --

1 CHAIRMAN LAVAR: To your previous motion.

2 MR. OLSEN: -- motions.

3 CHAIRMAN LAVAR: Certainly.

4 MS. CLARK: No objection from the Company.

5 CHAIRMAN LAVAR: They'll be admitted.

6 Thank you.

7 (Exhibit SE 1 and Exhibit SE 2 marked and
8 admitted)

9 BY MR. WILLIAMS:

10 Q. Can you briefly summarize the testimony that's
11 contained in those documents?

12 A. Yes. My direct testimony responds to Questar
13 Gas's two reasons for supporting this docket. The first
14 to assign costs to transportation customers for the
15 services they use, and second, to incentivize
16 transportation customers to more closely match their
17 nominations with their usage.

18 The methodology provided by Questar Gas to
19 develop the revenue requirement for the services used
20 by transportation customers is inaccurate.

21 By revenue requirement, I mean actually actual
22 additional transportation used, no-notice transportation
23 used with fuel used and storage used that Questar Gas
24 provides outside of what is used daily for their sales
25 customers to mitigate the supply activity of the

1 transportation customers.

2 Instead of identifying the actual service
3 components used, Questar Gas has opted to use a formulaic
4 method based upon imbalances that does not accurately
5 represent the actual asset usage the TS customers are
6 using during Questar Gas's test period.

7 Instead, Questar Gas's method takes the netted
8 imbalance each day during the test period they've
9 designed, applies a tolerance, then assumes a
10 theoretically used upstream component cost structure
11 for the remainder. The example I provided in my direct
12 testimony makes this difference clear.

13 On days when Questar Gas is providing supply
14 to its sales customers in part or entirely from storage
15 and while supply to the transportation service customers
16 is in excess of their usage, Questar Gas believes that
17 the excess supply is then received and transported and
18 injected into storage. The cost structure reflects that.

19 During the technical conference for this docket
20 in this example, Questar Gas would not transport --
21 Questar Gas admitted to not transporting this excess
22 supply for the transportation service customers and
23 instead absorbed it and just withdrew less from their
24 own storage accounts.

25 It's important to note that the transportation

1 customers are not opposed to paying back the cost of
2 services they incurred just as long as those costs
3 reflect the actual costs.

4 Every cycle of every day, each dekatherm is
5 accounted for in flow reports provided by pipelines and
6 storage facilities. The actual cost of services Questar
7 Gas is seeking to have its transportation customers repay
8 is not an approximation. It's an exact value that can be
9 found by auditing the actual activity Questar Gas has had
10 to perform each day during their test period.

11 I ask the Commission to reject the methodology
12 proposed by Questar Gas because they have chosen to use
13 a theoretical cost structure of assets used to develop
14 the revenue requirement instead of the actual costs.

15 I believe that using the actual asset usage
16 to derive the requirement would align with their stated
17 reason for supporting the docket: to assign costs to the
18 transportation customers for the services they use.

19 My direct testimony then identifies reasoning
20 why the method with which Questar Gas seeks to apply
21 daily imbalance penalties to recover these costs incurred
22 by the transportation customers are flawed.

23 Their method would apply penalties on both
24 sides both over and under the defined tolerance.

25 My direct testimony provides an example where

1 when transportation customers positive and negative
2 outside of tolerance within a penalty realm. Each would
3 be penalized when the actual event, the net impact to the
4 utility would be within tolerance.

5 The concern is that there is no netting
6 provision provided by Questar Gas in the application
7 of daily penalties. The customers would have exposure to
8 penalties when their activity may in fact be benefiting
9 the overall position on a systemic level. If the
10 opposite were true, the application of these penalties
11 could be distributed on a pro rata basis.

12 And my last point has to do with Questar Gas's
13 second stated reason for support of the docket is to
14 incentivize transportation customers to more closely
15 match their nominations with usage.

16 Questar Gas already has the ability by imposing
17 OFO restrictions. Historically, Questar Gas has only
18 imposed these restrictions on a system-wide basis when
19 in fact their tariff clearly allows for them to do it
20 on a supplier-by-supplier level, geographically, and
21 on a customer-by-customer basis.

22 As Questar becomes aware of poor nomination
23 practices, it is entirely within their ability to take
24 measures to correct it.

25 My testimony identifies Questar Gas's ability

1 to provide themselves with greater transparency by
2 aggregating the transportation customers by suppliers
3 so that Questar Gas can better determine which supplier
4 is under performing and which are not.

5 Most if not all transportation customers
6 themselves do not procure, nominate or balance their own
7 supply. Their suppliers do.

8 It would behoove Questar Gas to aggregate to
9 the 13 suppliers the netted imbalance for the calculation
10 and impose imbalance penalties instead of at the level
11 of 300 or more individual customers.

12 The method would provide Questar Gas the
13 transparency necessary to identify areas of severe
14 imbalance by exposing the net supply provided to the net
15 customer base instead of at the individual customer level
16 where such pairing can be difficult to determine.

17 Questar Gas could then impose OFO restrictions
18 selectively at a problem area to remedy their imbalance
19 issues instead of systemically.

20 It is thought that OFO restrictions do not come
21 with penalties, with severe enough penalties to incent
22 better nomination practices because they can simply be
23 traded away when in fact OFO restrictions do come with
24 penalties and can only be traded away when imbalanced
25 positions that are opposite exist.

1 This is not always the case.

2 To be clear, positive imbalances are traded
3 with counterparties having opposite negative balances in
4 an effort to true-up to the net impact to Questar Gas.

5 There are also added benefits of aggregation
6 during periods of curtailment. When time is of the
7 essence, participants controlling supply must act very
8 quickly to replace and redirect supplies to maintain
9 system integrity and service.

10 Aggregation allows Questar Gas to quickly
11 identify which transportation suppliers are deficient
12 in providing supply to their combined customer base.

13 Aggregation enables Questar Gas to only need
14 to reach out to 13 individual suppliers and requires far
15 less time than contacting 300 and in reality puts Questar
16 Gas in touch with the relevant people that are most able
17 to efficiently and effectively respond to the curtailment
18 event.

19 By not doing so, Questar's efforts to reach out
20 to 300-plus transportation customers would only delay
21 the response time to correct the problem as each
22 transportation customers would only then reach out to
23 their supplier anyway.

24 Summit Energy supports the use of continued
25 discussions via a working group to find common ground

1 with the points mentioned. This concludes my summary.

2 MR. WILLIAMS: Any cross-examination now?

3 CHAIRMAN LAVAR: Okay. Thank you.

4 And I should have addressed this before your
5 summary, but what I would propose subject to any
6 objection for order of cross-examination for the
7 remaining witnesses would be any cross-examination by the
8 intervening parties first. Then I would propose
9 Division. Then office. Then Questar.

10 Is there any objection to that order of cross?

11 MS. SCHMID: No objection.

12 MR. DODGE: That's fine.

13 MR. OLSEN: No objections.

14 CHAIRMAN LAVAR: Mr. Dodge?

15 MR. DODGE: No questions. Thank you.

16 CHAIRMAN LAVAR: Mr. Cook?

17 MR. COOK: No questions.

18 CHAIRMAN LAVAR: Ms. Schmid?

19 CROSS-EXAMINATION

20 BY MS. SCHMID:

21 Q. Just a couple. Are you familiar with how
22 Summit makes its nominations to Questar Gas?

23 A. I am.

24 Q. Were you here when I asked Mr. Schwarzenbach
25 how often TS customers generally change their

1 **nominations?**

2 A. I was here.

3 **Q. How often does Summit change its nominations?**

4 A. I would say at most twice a week.

5 **Q. Does Summit do that on a day-ahead basis?**

6 A. It does.

7 **Q. Does Summit utilize the intraday refinement**
8 **process that is available?**

9 A. As needed.

10 **Q. Does Summit make nominations on a per-customer**
11 **basis or on an aggregate basis?**

12 A. Per customer.

13 **Q. And so, changes would also be on a per-customer**
14 **basis?**

15 A. As needed, yes.

16 **Q. At the current time, are the transportation**
17 **service customers for whom Summit makes nominations,**
18 **are they paying for balancing services as part of their**
19 **TS rate?**

20 A. It comes with being a supplier but I would
21 assume they do.

22 **Q. Could you tell me how much of their rate is**
23 **attributable to the balancing services?**

24 A. I cannot. That's proprietary.

25 **Q. I'm talking about Questar Gas's rate,**

1 not your --

2 A. Okay. I'm trying to understand here. Can you
3 help me understand?

4 Q. Okay. I was confusing. Sorry. So, Summit has
5 customers that are transportation customers.

6 A. Yes.

7 Q. Do those transportation customers pay Questar
8 Gas for balancing services currently?

9 A. Without having the tariff in front of me, I do
10 not believe their tariff as defined in 5.01 has a
11 provision for balancing costs.

12 Q. Right now, what happens if Summit's customers
13 nominations and usage doesn't match?

14 A. What Summit Energy does is brings in both
15 supply of pipelines, two of them. Questar Gas's system
16 is not just a single entity. There are many islands of
17 service that they -- in their distribution service.

18 We then take that supply. We use trending,
19 historical performance based on weather, and our own
20 modeling to predict where they're going to be.

21 On the day of, we don't know. We don't see
22 exactly what they're using on the day of. We assume
23 we've done their job the right way.

24 Q. What happens if the gas doesn't show up?
25 Then what do the customers do?

1 A. Will Schwarzenbach calls me. What do the
2 customers do? It goes to the -- it just -- it's
3 imbalance, and we then have to work it off in the
4 remainder of the month as the current system works
5 because it's designed for monthly balancing.

6 **Q. And if Questar didn't offer such a balancing**
7 **service, what would your customers do?**

8 A. The customers most likely would not know.

9 **Q. What would Summit do?**

10 A. Bring on more supply. If we knew we were
11 deficient, we would bring on more supply.

12 **Q. Also, if necessary, would you cut customers**
13 **or tell customers to --**

14 A. Oh, no, no, no, no, no, no, no. That's just
15 not done. You lose customers that way.

16 **Q. So, you would bring on more supply if needed?**

17 A. Yes.

18 **Q. And if there was too much delivered and not**
19 **enough used, you would independently contract for storage**
20 **services, perhaps?**

21 A. No. Just redirect some supply somewhere else
22 on a pipeline level. I'd pull gas away from the utility.

23 MS. SCHMID: Thank you. Those are all my
24 questions.

25 CHAIRMAN LAVAR: Thank you. Mr. Olsen?

1 CROSS-EXAMINATION

2 BY MR. OLSEN:

3 Q. Thank you. You previously gave most of the
4 folks here a copy of this exhibit. This is a -- I'll
5 make the representation that this is the -- from the
6 Docket 14-057-15, the IRP filed on June 11th, 2014.

7 Mr. McGarvey, could I have you look at your
8 direct testimony on lines 68 through 71, please? Is it
9 fair -- there you state fuel gas reimbursement is, quote
10 "mistakenly derived from Questar-based gas cost."

11 Is that correct?

12 A. That's correct.

13 Q. In looking at the exhibit that I just showed
14 you, you'll note that it says that the level of Questar
15 Gas gas supply was approximately 59 percent; is that
16 correct?

17 A. From what you handed me, yes.

18 Q. Well, I guess my first question is, it's true,
19 is it not, that the Public Service Commission has found
20 Wexpro one, Wexpro two and the trail unit acquisitions
21 to be in the public interest?

22 A. If you say so.

23 Q. Well, wouldn't it then be appropriate to use
24 the weighted average cost of gas the WACOG which
25 represents Questar's actual costs as part of the

1 **calculation in this --**

2 A. For the fuel reimbursement?

3 **Q. Yes.**

4 A. If the supply is actually coming from Questar,
5 absolutely. When there's a deficient amount of supply
6 being brought to the transportation customers and the
7 utility has to bring on more supply, that's going to be a
8 cost of service supply. And so, that price should be
9 used for that fuel calculation.

10 If the opposite were true and the method with
11 which the company or Questar Gas has proposed a cost
12 structure, excess supplies would be collected at the
13 city gate, transported across Questar Pipeline and
14 injected back into storage.

15 That supply did not originate from Questar or
16 from Wexpro one or two or whatever. It originated from
17 the market that is more market based that is currently
18 \$2 less. Now, if this were just a few cents difference,
19 I wouldn't think anything about it. It's \$2 difference.

20 So, the fuel gas reimbursement that would be
21 charged to the transportation service customers that the
22 company that they are proposing here for excess supplies,
23 that fuel gas component for gas that they claim they were
24 taking into storage should be used at a different price,
25 the actual market price than the cost of service because

1 the difference is so light.

2 Q. If in fact it happens to be that it's market
3 gas at that time?

4 A. If it's not being sourced from Questar Gas
5 to the utility, it is market sourced.

6 MR. OLSEN: Thank you. I have no further
7 questions.

8 CHAIRMAN LAVAR: Thank you. Ms. Clark?

9 CROSS-EXAMINATION

10 BY MS. CLARK:

11 Q. Thank you.

12 Mr. McGarvey, you testified earlier that your
13 agents nominate at most twice per week; is that correct?

14 A. That's correct.

15 Q. Did you review Mr. Schwarzenbach's testimony
16 in this case?

17 A. I have.

18 Q. Do you have it in front of you?

19 A. I don't.

20 MS. CLARK: May I approach?

21 CHAIRMAN LAVAR: Yes.

22 THE WITNESS: Thank you.

23 BY MS. CLARK:

24 Q. I have just handed to you what is Exhibit 2.2R.
25 That is an exhibit to Mr. Schwarzenbach's rebuttal

1 testimony. And it is a table that shows nominations.
 2 And there are two customers. And on page one, we've got
 3 customer 228. I want to focus your attention on pages
 4 two and three, customer 157. And I'm going to represent
 5 to you that customer 157 is one of Summit's customers.

6 I want to draw your attention to column B.

7 Would you agree that in the month of
 8 December 2013, the nomination for that customer was
 9 11 dekatherms for each day? It never changed?

10 A. I would agree to that.

11 Q. Would you agree that for January of 2014,
 12 the nomination for that customer was 45 dekatherms
 13 for each day and never changed?

14 A. I see that.

15 Q. And would you agree that for February of 2014,
 16 the nomination was 42 dekatherms for each day of that
 17 month and also never changed?

18 A. This was during the time when I was not
 19 overseeing this area. And this is not our current
 20 practice but at this time I don't -- without double
 21 checking against my records, I have no reason to deny
 22 that this is true.

23 Q. Would Summit's nominating practices -- would
 24 Summit be incentivized or would it change its nominating
 25 practices if the Commission approves the charge as

1 Questar has proposed it?

2 A. Being like an OFO? Everyone's behavior would
3 change. Not just Summit's. Everyone's.

4 Q. Okay. Do you have your direct testimony in
5 front of you?

6 A. I do.

7 Q. Okay. I want to draw your attention in your
8 own direct testimony to lines 100 to 102. And I'm going
9 to open to that same page to make sure I properly state
10 it. At lines 101 and 102 -- excuse me.

11 Let me send you to your rebuttal testimony,
12 I apologize, or your surrebuttal. You say a five percent
13 penalty-free tolerance bandwidth is too narrow and is
14 functionally unrealistic.

15 Would you agree with that?

16 CHAIRMAN LAVAR: Ms. Clark, I believe you're
17 in direct.

18 THE WITNESS: That's in my direct testimony.

19 BY MS. CLARK:

20 Q. That's in your direct. I apologize. Lines 101
21 and 102 of your direct.

22 Do you remember saying that, writing that?

23 A. I do.

24 Q. And now I'd like you to draw your attention --
25 I'm going to hand to you --

1 (Discussion off the record)

2 MS. CLARK: May I approach?

3 CHAIRMAN LAVAR: Yes.

4 BY MS. CLARK:

5 Q. Thank you. And I've handed you a copy of the
6 current Questar Gas tariff Section 5.09. This is
7 included in an exhibit the Division utilized earlier
8 today. And I want to draw your attention to the first
9 sentence under the heading Daily Imbalances.

10 Do you see that? I've highlighted it for you.

11 A. I do.

12 Q. Could you read that?

13 A. It reads, "The Company will allow plus or minus
14 five percent of a customer's volumes delivered from
15 upstream pipelines as a daily imbalance tolerance
16 window."

17 Q. So, would you agree that the tariff already
18 contains a five percent tolerance window?

19 A. It does.

20 Q. Turning to your surrebuttal testimony, do you
21 have that in front of you --

22 A. I do.

23 Q. -- as well?

24 A. Yes.

25 Q. On line 137 you state -- it begins -- I

1 apologize. It begins on line 136, the very end of 136:

2 "The only benefit of the proposed tariff is to
3 allow Questar Gas to collect more money and
4 unfairly burden transportation customers."

5 Is it your understanding, Mr. McGarvey, that
6 the charge Questar has proposed in this document would be
7 credited back to sales customers through the pass-through
8 filings?

9 A. Being based on theoretical activities,
10 the charge being comprised of that?

11 Q. I'm asking where you think that money goes,
12 if it is your understanding that Questar Gas will credit
13 that back to sales customers.

14 A. That's what you're going to do with it.

15 Q. Okay. Thank you.

16 Are you familiar with injection and withdrawal
17 charges on Questar Pipeline into Clay Basin and out of
18 Clay Basin? Are you familiar with that process?

19 A. Yes, I am.

20 Q. I'd like to pose a hypothetical for you.

21 If you have one customer who injects 100
22 dekatherms on a particular day and on that same day a
23 second customer withdraws 100 dekatherms from Clay Basin,
24 is it your understanding that each customer would be
25 charged for the injection and withdrawal of those volumes

1 notwithstanding the fact that they net each other out,
2 if you will?

3 A. They do net.

4 Q. I want to clarify. Mr. Schwarzenbach points
5 out that there may be some confusion when speaking to
6 transportation customers on Questar pipeline.

7 A. Okay.

8 Q. If one were to inject 100 dekatherms on the day
9 and on the same day a second withdrew that, would each be
10 charged?

11 A. With zero molecules flowing in and out of the
12 Clay Basin, I'm not sure what they would do.

13 Q. Would it surprise you to know that they would
14 charge both customers?

15 A. With no activity?

16 Q. Yes.

17 A. That would surprise me.

18 Q. May I have a moment? (Brief break)

19 I have two more questions for you,
20 Mr. McGarvey. I appreciate your patience.

21 A. Oh, no. You're fine.

22 Q. You testified earlier about your view that
23 it is not appropriate to use the weighted average cost
24 of gas volumes for purposes of fuel reimbursement
25 component of the charge; correct?

1 A. Correct.

2 Q. When QGC reimburses transportation customers
3 for over deliveries, do you know what gas is reimbursed
4 for, what value? Is it --

5 A. Can you restate that? When Questar reimburses
6 transportation customers?

7 Q. For the gas that they have delivered when
8 they're cashing out. Do you know if they are reimbursed
9 at the WACOG prices?

10 A. I do not know that.

11 MS. CLARK: Okay. Thank you. I don't have
12 anything further.

13 CHAIRMAN LAVAR: Thank you. Mr. Williams,
14 any redirect?

15 MR. WILLIAMS: No redirect.

16 CHAIRMAN LAVAR: No redirect?

17 Commissioner White?

18 COMMISSIONER WHITE: No questions.

19 CHAIRMAN LAVAR: Commissioner Clark?

20 EXAMINATION

21 BY COMMISSIONER CLARK:

22 Q. Just a question or two.

23 Regarding your current practices relative to
24 intraday nominations, I think you said that in response
25 to an earlier question you engage in that activity as

1 **needed.**

2 A. Yes.

3 **Q. Can you give me a sense of what the frequency**
4 **of that is?**

5 A. What it is is it's trying to help customers
6 help themselves. Every customer that we bring on, we
7 ask them to get in touch with us if they know of any
8 operational changes that would impact their consumption.

9 That doesn't happen very often, although
10 impacts to their production and impacts to their
11 consumption change often. They just don't -- they fail
12 to reach out to us. So, it is very rare. When they do,
13 we use the intradays to make changes, but as I said,
14 it is very rare.

15 COMMISSIONER CLARK: Thank you.

16 THE WITNESS: You bet.

17 CHAIRMAN LAVAR: Okay. Thank you,
18 Mr. McGarvey.

19 THE WITNESS: Thank you.

20 CHAIRMAN LAVAR: And I think we're at a good
21 time to take a short break, but before we do, I just
22 wanted to ask Questar, the Division, and the Office if
23 any of you intended to recall a witness following
24 Mr. McGarvey's testimony based on the motion that was
25 denied this morning. Ms. Clark?

1 MS. CLARK: Questar does not.

2 CHAIRMAN LAVAR: Does not?

3 MS. SCHMID: The Division does not.

4 CHAIRMAN LAVAR: Does not? Mr. Olsen?

5 MR. OLSEN: Nor does the Office.

6 CHAIRMAN LAVAR: Okay. Why don't we take a
7 ten-minute break then, and at 2:35 we'll move on with
8 Mr. Medura's testimony. We're in recess.

9 (Recess taken 2:22 p.m. to 2:35 p.m.)

10 CHAIRMAN LAVAR: Okay. We're back on the
11 record. And I believe we're to Mr. Cook at this point.

12 Oh. Before we do that, Mr. Dodge, do you want
13 to make a motion with respect to what you're passing out?

14 MR. DODGE: If I may. This is UAE's
15 cross-examination Exhibit 3. I had a page copied.

16 CHAIRMAN LAVAR: Any objection from any party
17 to its admission?

18 MR. OLSEN: No objection.

19 MS. SCHMID: None.

20 MS. CLARK: No. There's no objection here.

21 CHAIRMAN LAVAR: Okay. It will be admitted.

22 (Exhibit UAE 3 admitted)

23 MR. OLSEN: Mr. Chair, also, I neglected to ask
24 for the admission of the document that I handed out for
25 Mr. McGarvey's cross-examination.

1 CHAIRMAN LAVAR: Oh, from the IRP?

2 MR. OLSEN: Yeah, the IRP. That would be our
3 OSC Exhibit 3.

4 CHAIRMAN LAVAR: Three? Any objection from
5 anyone to the admission of that?

6 MS. SCHMID: No objection.

7 MS. CLARK: There's no objection from Questar.

8 CHAIRMAN LAVAR: Okay. That will be admitted.
9 Thank you.

10 MR. OLSEN: Thank you.

11 (Exhibit OSC 3 marked and admitted)

12 CHAIRMAN LAVAR: Okay. Mr. Cook?

13 MR. COOK: I'm going to defer to Mr. Dodge
14 to call all of our witnesses.

15 CHAIRMAN LAVAR: Okay. Thank you.

16 MR. DODGE: Thank you. And we'd actually like
17 to start with Mr. Matt Medura for CIMA.

18 CHAIRMAN LAVAR: Mr. Medura, do you swear to
19 tell the truth?

20 THE WITNESS: Yes.

21 MATTHEW MEDURA,

22 having first been duly sworn, was

23 examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. DODGE:

1 Q. Mr. Medura, will you state your name and for
2 whom you work and your position?

3 A. My name is Matthew Medura, M-e-d-u-r-a. I work
4 for CIMA Energy Limited. I'm a senior marketing
5 representative.

6 Q. Mr. Medura, did you cause to be filed in this
7 docket CIMA Exhibit 1.0 which is your direct testimony,
8 CIMA Exhibit 1.0R, your rebuttal testimony, and CIMA
9 Exhibit 1.0SR, your surrebuttal testimony?

10 A. Yes.

11 Q. And do you have any changes to any of that
12 prefiled testimony?

13 A. No.

14 Q. And do you adopt it as your sworn testimony
15 here today?

16 A. I do.

17 MR. DODGE: I'd move the admission of those
18 three exhibits, Mr. Chairman?

19 CHAIRMAN LAVAR: Any objection from any party?

20 MR. OLSEN: No objection.

21 MS. SCHMID: No objection.

22 MS. CLARK: No.

23 CHAIRMAN LAVAR: It'll be admitted. Thank you.

24 (CIMA Exhibit 1.0, CIMA Exhibit 1.0R,
25 CIMA Exhibit 1.0SR marked and admitted)

1 BY MR. DODGE:

2 Q. Thank you. Mr. Medura, do you have a brief
3 summary of your prefiled testimony?

4 A. Yes, I do.

5 Q. Please go ahead.

6 A. Basically, my testimony outline the concerns
7 with the Company's proposed balancing charge in the
8 following manner.

9 Number one, the rate as calculated does not
10 take into account the transportation customer class
11 offsets on any given day.

12 Number two, it's unclear as to the
13 applicability of the components of the rate and if they
14 actually occur. The plus or minus five percent daily
15 tolerance is restrictive and not common in practice
16 in the industry. The current OFO tolerance limit is
17 enforced at the agent level and therefore can be applied
18 also for the balancing charges.

19 Number five, I believe the workshop or some
20 other collaborative process can result in better
21 alignment of nominations with usage.

22 Number six, the current tariff is effective
23 in addressing the operational constraints the company
24 has, and that CIMA, we agree that individual nominations
25 should be made and be accurate to the best of our

1 ability.

2 Q. And does that complete your summary?

3 A. It does.

4 MR. DODGE: Thank you.

5 Mr. Medura is available for cross.

6 CHAIRMAN LAVAR: Mr. Cook? None?

7 Mr. Williams? None? Ms. Schmid?

8 CROSS-EXAMINATION

9 BY MS. SCHMID:

10 Q. Yes. Thank you. Good afternoon.

11 A. Good afternoon.

12 Q. Were you hear when I asked Mr. Schwarzenbach
13 and Mr. McGarvey about nominations practices?

14 A. Yes.

15 Q. Are you familiar with the nomination practices
16 of CIMA?

17 A. Not at the individual customer level.

18 Q. I'll ask you a few questions and we'll see if
19 you can answer them, and if not, that's all right.

20 What happens when the nominations from
21 CIMA's -- that you make for CIMA's transportation
22 customers don't match?

23 A. The customers experience an imbalance which
24 goes into their imbalance account.

25 Q. Is the gas shut off to a customer who nominates

1 **less than it uses?**

2 A. It is not.

3 **Q. What happens to excess gas? Does CIMA itself**
4 **put it into storage if more gas is nominated than its**
5 **transportation customers use?**

6 A. No. It goes into their imbalance account.

7 **Q. What would happen if Questar Gas was not**
8 **offering an imbalance service? What would CIMA do?**

9 A. I think -- I expect we'd get a call from the
10 gas supply group and tell us to either bring more gas or
11 sell more gas into the market in a later cycle.

12 But that's one of the tools we can do.

13 Otherwise, it just goes into their imbalance.

14 **Q. But that would be for a later cycle.**
15 **It wouldn't be for the morning when, say, the industrial**
16 **customer turns the furnace on.**

17 The gas wouldn't get there in time for that
18 **morning if you added it later?**

19 A. We don't know what the mismatch is until later.

20 MS. SCHMID: Those are all my questions.

21 Thank you.

22 THE WITNESS: Thank you.

23 CHAIRMAN LAVAR: Mr. Olsen?

24 MR. OLSEN: We have no questions.

25 CHAIRMAN LAVAR: Ms. Clark?

1 MS. CLARK: I have a couple.

2 May I approach the witness?

3 CHAIRMAN LAVAR: Yes.

4 CROSS-EXAMINATION

5 BY MS. CLARK:

6 Q. Mr. Medura, I've handed to you a copy of
7 Questar Gas Company's Utah natural gas tariff number 400
8 Section 5.09. And it was part of an exhibit offered by
9 the Division earlier today, but I've just given you the
10 part that I intend to ask you about.

11 You testified in your summary today that the
12 plus or minus five percent is restrictive, too
13 restrictive, and I believe you said not common in
14 industry practice. Did I state that accurately?

15 A. Correct.

16 Q. Would you read the sentence that's highlighted,
17 the first sentence under the heading Daily Imbalances?

18 A. "The Company will allow plus or minus five
19 percent of a customer's volumes delivered from
20 upstream pipelines as a daily imbalance tolerance
21 window."

22 Q. Would you agree that the company's tariff
23 already requires plus or minus five percent --

24 A. Yes.

25 Q. -- intolerance?

1 MS. CLARK: Thank you. I don't have any
2 further questions.

3 CHAIRMAN LAVAR: Okay. Any redirect?

4 REDIRECT EXAMINATION

5 BY MR. DODGE:

6 Q. Just one I guess to clarify.

7 Mr. Medura, under that tariff, what happens
8 if a company's outside the five percent tolerance today?

9 A. It just goes into their imbalance account
10 if there's not a restriction in place.

11 Q. And is that what you're testifying to is the
12 common industry practice?

13 A. It is.

14 MR. DODGE: Thank you. No further questions.

15 CHAIRMAN LAVAR: Any recross desired from any
16 party? Okay. Commissioner White?

17 COMMISSIONER WHITE: No.

18 CHAIRMAN LAVAR: Commissioner Clark?

19 COMMISSIONER CLARK: No questions.

20 EXAMINATION

21 BY CHAIRMAN LAVAR:

22 Q. I have one. On lines 64, 65, and 66 of your
23 surrebuttal, I'll just read that line. It says -- you
24 said, "One solution would be to allow aggregation by
25 receipt point or other mutually agreeable criteria."

1 I just want to understand what you mean by
2 "receipt point." Did you mean city gate or some other
3 meaning of receipt point?

4 A. I meant the different geographical receipt
5 points on the system. Southern Utah, Wasatch Front,
6 Wyoming.

7 CHAIRMAN LAVAR: Okay. Thank you,
8 Mr. Medura. We appreciate your testimony.

9 MR. DODGE: Next we would call Mr. Jeff Fishman
10 on behalf of CIMA, Nucor, and UAE.

11 CHAIRMAN LAVAR: Mr. Fishman, do you swear to
12 tell the truth?

13 THE WITNESS: I do.

14 CHAIRMAN LAVAR: Thank you.

15 JEFF J. FISHMAN,
16 having first been duly sworn, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. DODGE:

20 Q. Mr. Fishman, could you state your name, who you
21 work for, and your position there?

22 A. My name is Jeff J. Fishman. I am the director
23 of gas services at Energy Strategies.

24 Q. And, Mr. Fishman, did you have filed in this --
25 prefiled in this docket Exhibit -- UAE/Nucor/CIMA

1 Exhibits 2.0, 2.0R, and 2.0R, your direct, rebuttal,
2 and surrebuttal testimony?

3 A. Yes.

4 Q. And do you have any corrections to that
5 prefiled testimony?

6 A. No.

7 Q. And do you adopt that testimony as your
8 testimony here in this docket under oath?

9 A. Yes.

10 MR. DODGE: I would move the admission of
11 UAE Exhibits 2, 2R, and 2SR?

12 CHAIRMAN LAVAR: Any objection from any party?

13 MR. OLSEN: No objection.

14 MS. SCHMID: No objection.

15 MS. CLARK: No objection.

16 CHAIRMAN LAVAR: Okay. They'll be admitted.

17 Thank you.

18 (UAE/Nucor/CIMA Exhibit 2.0, Exhibit 2.0R,
19 Exhibit 2.0SR marked and admitted)

20 BY MR. DODGE:

21 Q. Thank you. And, Mr. Fishman, do you have a
22 brief summary you'd like to provide of your testimony?

23 A. I do.

24 Q. Please proceed.

25 A. The first concern identified in my direct

1 testimony is that this proposal would increase the daily
2 operating functions of the transportation customer
3 relating to managing gas supplies.

4 Now, that in and of itself is not necessarily
5 inappropriate, but it is a shift from the longstanding
6 method of operation where the suppliers bear the
7 responsibility for managing both nominations and
8 imbalances.

9 These additional operating activities will be
10 required even though Questar has not suggested the daily
11 balancing is actually needed on most days.

12 Under the current tariff, when there's an
13 operational need to restrict the deliveries of gas to
14 transportation customers to more closely match
15 nominations, it is managed by the operating restrictions
16 and related penalties that are imposed by the balancing
17 restriction.

18 Of greater concern is that Questar is asking
19 the transportation customer to take on these new tasks
20 without providing the tools for success in better
21 managing the daily nominations.

22 Transportation customers and suppliers cannot
23 be expected to operate within a five percent daily
24 tolerance without meaningful realtime data.

25 Although transportation customers are obligated

1 to pay Questar for special metering equipment,
2 telemetering functionality, and other administrative
3 services, the data that Questar collects, processes,
4 and reports is not available to manage the nominations
5 within the proposed time and volume tolerances.

6 In the absence of an incremental investment
7 in equipment and operating personnel, this time lag
8 effectively prevents the transportation customer from
9 achieving what Questar requires under this proposed
10 daily operating requirement.

11 My assessment is that realtime data is required
12 to approve the nomination practices and should be
13 provided through the Questar system the transportation
14 customers are currently paying for.

15 I do not agree with the suggestion by Questar
16 that transportation customers should be required to
17 acquire additional monitoring equipment through outside
18 vendors. Finally, regarding daily balancing and
19 aggregation in this proposed operating scheme, it's
20 critical that the suppliers and agents be allowed to
21 net imbalances among their customers before the daily
22 imbalances are assessed any additional costs.

23 This is what happens now to mitigate the
24 monthly imbalances as provided for in the Questar tariff.
25 To otherwise collect would be over -- I mean, to

1 otherwise would be over collecting under the current --
2 of the charge that's currently provided or proposed.

3 Even under the operating requirements imposed
4 by a balancing restriction or OFO, the tariff provides
5 for aggregation of imbalances at an agent level and
6 trading of the offset imbalances is routinely used by the
7 suppliers to mitigate imbalances and the related charges.

8 My surrebuttal testimony I'd also like to
9 mention addresses the so-called operational concerns
10 in Questar testimony and Questar statements about
11 aggregation and existing balancing rights under the
12 tariff. Mr. Schwarzenbach made reference to operational
13 constraints and that correct nominations are important
14 because supply concerns may arise at any time.

15 White it is true that supply availability
16 issues may arise, nominations do not directly influence
17 supply availability. Only a nomination can be fulfilled
18 if supply is available.

19 The fact that there have been only two supply
20 curtailments that affected transportation customers in
21 recent history or the fact is that there have been only
22 two in recent history has been mentioned by other
23 testimony today.

24 Mr. Schwarzenbach stated that transportation
25 customers' inaccurate nominations cause operational

1 problems and the company experiences operational
2 problems. There's been no evidence provided to describe,
3 explain or support any such operational problems that
4 are the direct result of transportation customers'
5 nominations.

6 Mr. Schwarzenbach also stated that
7 transportation customers utilizing more than their
8 nominated volumes could result in a loss of service to
9 firm sales customers. Again, no evidence was offered
10 that this has ever taken place.

11 Regarding supplier aggregation,
12 Mr. Schwarzenbach opposes imbalance aggregation but
13 provides no reasonable basis for this opposition.
14 He seems to assume that aggregation would eliminate the
15 supplier placing a daily nomination for each customer.

16 No agent providing testimony has indicated that
17 they would do anything but continue to provide daily
18 nominations for each transport customer.

19 I strongly urge the Commission to authorize
20 daily imbalances aggregated by supplier as is currently
21 allowed under the balancing restriction process.

22 This brings up the suggested tariff changes
23 where Mr. Schwarzenbach proposes to eliminate aggregation
24 and trading language from the balancing restriction
25 section of the tariff.

1 To eliminate a longstanding method of
2 mitigating imbalances and penalties during a balancing
3 restriction by modifying the tariff language represents
4 a considerable extrapolation of the stated objectives
5 in this docket which is to improve daily nominations.

6 This suggestion would great expand the negative
7 impacts on customers that may result from this proposed
8 daily imbalance charge.

9 Finally, once again, Questar argues the
10 responsibility of realtime metering.

11 In Mr. Schwarzenbach's testimony, Questar
12 glosses over the fact that transportation customers
13 already pay Questar for both special metering equipment
14 and operating and administrative fees and suggests that
15 a customer purchase additional technology for realtime
16 data. This is an attempt to deflect the responsibility
17 that Questar has to manage its metering data in a manner
18 that's consistent with its new proposed nomination and
19 balancing restrictions.

20 And that concludes the summary of my testimony.

21 MR. DODGE: Thank you. Mr. Fishman is
22 available for cross-examination.

23 CHAIRMAN LAVAR: Mr. Cook or Mr. Williams? No?
24 Okay. Ms. Schmid?

25 MS. SCHMID: No questions.

1 CHAIRMAN LAVAR: Mr. Olsen?

2 MR. OLSEN: No questions.

3 CHAIRMAN LAVAR: Ms. Clark?

4 MS. CLARK: The Company also has no questions.

5 CHAIRMAN LAVAR: Thank you.

6 Commissioner White? Commissioner Clark?

7 COMMISSIONER CLARK: No questions.

8 EXAMINATION

9 BY CHAIRMAN LAVAR:

10 Q. I have one. I guess I'm the only one in the
11 room. In your opinion, should there be any geographic
12 limits on aggregation?

13 A. I think from a balancing standpoint, it makes
14 sense. I think that in the past the imbalance trading
15 and mitigation has not been imposed necessarily at a
16 geographical location. It's been a time.

17 I think in this circumstance with, you know,
18 the issues being raised on both sides that that
19 restriction would not be -- or that requirement would
20 not be out of place.

21 CHAIRMAN LAVAR: Okay. Thank you.

22 MR. DODGE: Thank you. Our next witness is
23 Mr. Higgins.

24 CHAIRMAN LAVAR: Mr. Higgins, do you swear to
25 tell the truth?

1 THE WITNESS: I do.

2 CHAIRMAN LAVAR: Thank you.

3 KEVIN C. HIGGINS,

4 having first been duly sworn, was

5 examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. DODGE:

8 Q. Mr. Higgins, would you please state your name,
9 for whom you work, and your position at your job?

10 A. Certainly. My name is Kevin C. Higgins. I'm a
11 principal in the consulting firm Energy Strategies.

12 Q. Okay. Mr. Higgins, did you cause under your
13 direction to be prepared and filed in this docket
14 UAE/Nucor/CIMA Exhibit 1.0 along with attached
15 Exhibits 1.1, 1.2, and 1.3, your direct testimony
16 exhibits, also your rebuttal testimony 1.0R with an
17 attached 1.1R, and your surrebuttal testimony
18 Exhibit 1.0SR?

19 A. Yes, I did.

20 Q. And do you have any changes to any of that
21 testimony?

22 A. I do not.

23 Q. And does that testimony represent your
24 testimony here this morning or this afternoon under oath?

25 A. Yes, it does.

1 MR. DODGE: Mr. Higgins -- excuse me. I'd move
2 the admission of those exhibits, Mr. Chairman.

3 CHAIRMAN LAVAR: Any objection from any party?

4 MS. SCHMID: No.

5 MR. OLSEN: No objection.

6 MS. CLARK: No.

7 CHAIRMAN LAVAR: It will be admitted.

8 Thank you.

9 (UAE/Nucor/CIMA Exhibit 1.0, Exhibit 1.0R,
10 Exhibit 1.0SR marked and admitted)

11 BY MR. DODGE:

12 Q. Thank you. Mr. Higgins, do you have a brief
13 summary of your testimony?

14 A. Yes, I do.

15 Q. Would you please proceed?

16 A. Yes. Good afternoon.

17 This case centers on Questar's proposal to
18 introduce a daily transportation imbalance charge.

19 Based on the evidence in this case, the charge
20 appears to be unique in the United States in that it not
21 only requires daily balancing by transportation customers
22 which is relatively rare to start with, but also requires
23 daily balancing to be measured exclusively at the
24 individual customer level rather than providing an option
25 for daily balancing to be managed by aggregators or

1 suppliers. This lateral restriction is one that no other
2 utility identified in this docket imposes.

3 In this sense, Questar's proposal appears to be
4 a singularly aggressive outlier. The proposed charge is
5 also material in that it represents an 11.6 increase when
6 applied to the distribution non-gas revenue requirement
7 for transportation customers.

8 As a threshold matter, the company's proposal
9 to introduce a daily transportation imbalance charge is
10 premature, incompletely developed, and unreasonably
11 disruptive to the marketplace efficiencies that have been
12 developed to help Utah businesses manage their gas
13 supplies. In light of these considerations, I recommend
14 that the proposal be rejected by the Commission.

15 If the Commission is interested in considering
16 the imposition of a daily transportation imbalance
17 charge, I recommend that prior to adopting any charge
18 or adopting the rate design proposed by the Company the
19 Commission sponsor a workshop process to investigate how
20 daily balancing could best be accomplished taking into
21 account a full suite of market participants and
22 opportunities for using market mechanisms to manage daily
23 imbalances.

24 This recommendation notwithstanding, if a daily
25 balancing charge is to be imposed on transportation

1 customers at this time, then the charge proposed by the
2 Company should be rejected because it is not reasonable.
3 Instead, three adjustments should be made to the
4 calculation.

5 First, the transportation component and fuel
6 reimbursement component proposed by Questar should be
7 removed from the calculation because the company has
8 failed to demonstrate that any costs are actually being
9 incurred in these categories as a result of retail
10 transportation customer imbalances.

11 Transportation customers already pay for their
12 own transportation on upstream pipelines including
13 transportation usage costs by (coughing) imbalances.

14 As no incremental transportation costs are
15 being incurred by Questar on behalf of transportation
16 customers, it is unreasonable to also assign to
17 transportation customers a portion of the fixed
18 transportation costs incurred by the Company on behalf
19 of its sales service customers.

20 It is particularly unreasonable to include
21 these charges plus fuel in both directions; that is,
22 for both positive imbalances when less transportation
23 is being utilized by Questar and negative imbalances.

24 Rather, the cost basis for any transportation
25 imbalance charge should be limited to the no-notice

1 transportation and storage costs which unlike
2 transportation service are the specialty products the
3 transportation customers are not purchasing.

4 Second, net transportation customer imbalances
5 that are within five percent of the aggregate
6 transportation customer usage on a given day should be
7 excluded from the cost of the total daily transportation
8 imbalance.

9 This five percent exclusion is warranted for
10 the purpose of aligning the daily imbalance cost that is
11 subject to the new charge with the performance that is
12 expected of transportation customers and recognizes that
13 the pipeline system has inherent flexibility to
14 accommodate small daily imbalances.

15 Third, the calculation should take account
16 of the reduction in storage activity that results when a
17 transportation customer imbalance and the Questar sales
18 service imbalance move in opposite directions on a given
19 day. Incorporating these adjustments in a transportation
20 imbalance charge results -- pardon me -- results in a
21 transportation imbalance charge of 3.695 cents per
22 dekatherm on imbalances in excess of the proposed five
23 percent tolerance limit rather than the 19 cent per
24 dekatherm charge proposed by Questar.

25 Finally, I will summarize my response to some

1 of the proposals by the Division of Public Utility
2 witness Mr. Wheelwright. First, I agree with
3 Mr. Wheelwright's recommendation that there should be
4 further discussion in a task force context.

5 Second, I disagree with Mr. Wheelwright's
6 suggestion that the largest 40 transportation customers
7 could be subject to more stringent monitoring and
8 balancing requirements.

9 Taken as a group, the largest 40 customers
10 actually performed better than the average with respect
11 to daily imbalances and I believe that subjecting this
12 group to more stringent requirements would be unduly
13 discriminatory.

14 Third, Mr. Wheelwright proposes an alternative
15 to the daily imbalance charge proposed by the Company.

16 In lieu of such a charge, Mr. Wheelwright
17 recommends that after the appropriate costs are
18 identified, they should be recovered through a volumetric
19 charge on all transportation customers; in effect,
20 socializing the cost across this entire class.

21 With respect to this proposal, I am concerned
22 to the extent that such costs are calculated based on the
23 volume of imbalances.

24 Socializing the cost would mute the pricing
25 to the customers or suppliers causing the imbalances.

1 But at the same time I conceded that there may be some
2 administrative simplicity in such an approach.

3 This causes me to conclude that if any new
4 daily imbalance requirements or charges are going to be
5 imposed on transportation customers, the customers should
6 be offered a choice between a socialized charge as
7 proposed by Mr. Wheelwright or an option to avoid the
8 socialized cost in exchange for being subject to a daily
9 balancing regime.

10 So, I recommend that if the Commission decides
11 to impose any daily imbalance charge that the Commission
12 require that such a choice be available.

13 With my three adjustments to the company's
14 recommended costs, the socialized cost would result in a
15 charge of .713 cents per dekatherm on all transportation
16 customer volumes.

17 And I note that this charge is not dissimilar
18 from and is even greater than the five cents per
19 dekatherm -- of the half-cent per dekatherm charge levied
20 on all suppliers by Baltimore Gas and Electronic which is
21 one of the three gas utilities identified by Questar in
22 discovery as levying balancing charges.

23 And that concludes my summary.

24 MR. DODGE: Thank you. Mr. Higgins is
25 available for cross.

1 CHAIRMAN LAVAR: Mr. Cook?

2 MR. COOK: He's my witness.

3 CHAIRMAN LAVAR: Oh. Ms. Schmid?

4 MS. SCHMID: No questions.

5 CHAIRMAN LAVAR: Mr. Olsen?

6 CROSS-EXAMINATION

7 BY MR. OLSEN:

8 Q. Just one clarification if I could. On your --
 9 I don't want to misstate this, but in your summary,
 10 did you say that this workshop, as a predicate to the
 11 workshop would be an assumption that there should be some
 12 sort of transportation imbalance charge made and it was
 13 a question of how much it should be?

14 A. I believe that would up the Commission's
 15 discretion. And so, I believe that in my rebuttal
 16 testimony, I identified what I believe would be the
 17 appropriate topics for such a workshop.

18 But certainly, you know, to the extent that the
 19 Commission requires the workshop, it would be, you know,
 20 up to the Commission to set those guidelines.

21 And I think it would be helpful, for example,
 22 if the Commission were to determine that part of the
 23 equation needs to be an examination of how best to use
 24 suppliers in addressing this question. That could be one
 25 of the requirements of the workshop.

1 And, you know, at this point, prior discussions
2 have not led to a resolution of this matter, but I think
3 if the Commission were to provide firm guidance that
4 that should be one of the elements that's addressed,
5 that would be very helpful.

6 MR. OLSEN: Thank you. Nothing further.

7 CHAIRMAN LAVAR: Ms. Clark?

8 CROSS-EXAMINATION

9 BY MS. CLARK:

10 **Q. Just one. Would you agree, Mr. Higgins,**
11 **that under either your proposal or that set forth by the**
12 **Company, a customer who stays within the five percent**
13 **tolerance would not pay the rate?**

14 A. Yes.

15 MS. CLARK: Okay. That's all I have.
16 Thank you.

17 CHAIRMAN LAVAR: Thank you. Any redirect?

18 MR. DODGE: No. Thank you.

19 CHAIRMAN LAVAR: Okay. Mr. White?

20 COMMISSIONER WHITE: No questions.

21 CHAIRMAN LAVAR: Mr. Clark?

22 COMMISSIONER CLARK: No questions.

23 CHAIRMAN LAVAR: Thank you, Mr. Higgins.

24 THE WITNESS: Thank you.

25 CHAIRMAN LAVAR: Do we have a delay now until

1 the next witness?

2 MR. DODGE: Yes. My understanding is that
3 there's a public witness set at five o'clock,
4 public witness time?

5 CHAIRMAN LAVAR: Yes.

6 MR. DODGE: And Mr. Swenson said he might be
7 able to come earlier if necessary, but it seems to me
8 unless people think it'll take more than 45 minutes,
9 then it would surprise me that getting back together
10 at 4:15 for Mr. Swenson and end at five for any public
11 witnesses would make sense. That would be my proposal.

12 CHAIRMAN LAVAR: Okay.

13 Any objection to that proposal from anyone?

14 MS. CLARK: No.

15 MS. SCHMID: No objection.

16 CHAIRMAN LAVAR: Okay. We'll be in recess
17 until 4:15. Thank you.

18 (Recess taken 3:03 p.m. to 4:15 p.m.)

19 CHAIRMAN LAVAR: Okay. We're on the record.

20 Do we have the next witness on the telephone?

21 We do? Okay. Mr. Dodge?

22 MR. DODGE: Thank you, Mr. Chairman.

23 For the last witness, this is US Magnesium's
24 witness Roger Swenson who's on the telephone with your
25 indulgence. And thank you for that.

1 Mr. Swenson, can you hear me okay?

2 THE WITNESS: Yes, I can.

3 MR. DODGE: Okay. Good. If you'll speak up
4 like that, I think people will be able to hear you back.
5 Mr. Swenson --

6 CHAIRMAN LAVAR: Let me put him under oath.

7 MR. DODGE: I'm sorry. Thank you.

8 CHAIRMAN LAVAR: Mr. Swenson, I'll just place
9 you under oath. Do you swear to tell the truth?

10 THE WITNESS: I do.

11 CHAIRMAN LAVAR: Thank you.

12 ROGER SWENSON,
13 having first been duly sworn, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. DODGE:

17 Q. Mr. Swenson, would you give your full name
18 and on whose behalf you're testifying here?

19 A. My name is Roger Swenson. I work with E-Quant
20 Consulting, and I'm testifying in this matter today
21 on behalf of US Magnesium.

22 Q. And, Mr. Swenson, did you cause to be prepared
23 and filed in this docket US Mag Exhibit 1.0, your direct
24 testimony, US Mag Exhibit 1.0R, rebuttal testimony,
25 and US Mag Exhibit 1.0SR surrebuttal testimony?

1 A. Yes, I did.

2 Q. And do you have any corrections to any of that
3 prefiled testimony?

4 A. No, I do not.

5 Q. And do you adopt that testimony as your
6 testimony under oath here this afternoon?

7 A. Yes, I do.

8 MR. DODGE: I'd move the admission of
9 US Mag Exhibits 1, 1R, and 1SR, Mr. Chairman.

10 CHAIRMAN LAVAR: Any objection from any party?

11 MR. OLSEN: No objection.

12 MS. SCHMID: No.

13 MS. CLARK: No objection.

14 CHAIRMAN LAVAR: Okay. They'll be entered.

15 (US Mag Exhibit 1.0, Exhibit 1.0R,
16 Exhibit 1.0SR marked and admitted)

17 BY MR. DODGE:

18 Q. Thank you. Mr. Swenson, do you have a brief
19 summary of your testimony?

20 A. Yes, I do.

21 Q. Would you present that now, please?

22 A. I believe that customers should be shown what
23 the proposed charges will be for a period to understand
24 the value of spending time to improve accuracy.

25 I recommend that a year of informative feedback

1 be provided to customers showing what these charges could
2 be. I think this will create a more accurate value base
3 driving the accuracy that customers can have and taking
4 the time to do that will establish a better test period
5 data for the basis for actual costs.

6 I believe that calculations should include real
7 data and actual costs taking into account net positions
8 for all system gases and usage on the system.

9 I believe it should take into account a level
10 of baseline flexibility that the system has inherently
11 such as line pack before initiating a calculation of
12 costs. I worry about shortcuts that seem easier but
13 I don't believe will give the results that we're after
14 in this matter.

15 A single variable charge essentially can
16 penalize accurate nominating customers without a cost
17 basis. I'm concerned about implementing rates based
18 on a value of service and calculating the cost basis
19 on things that may not have occurred.

20 The best example in this matter is the assumed
21 losses of gas on transportation that may or may not have
22 occurred and assuming the cost for that imaginary lost
23 gas at two times the market value of gas using the
24 customer WACOG gas price.

25 That's the summary of my testimony.

1 MR. DODGE: Thank you, Mr. Swenson.

2 Mr. Swenson's available for cross-examination.

3 CHAIRMAN LAVAR: Mr. Cook?

4 MR. COOK: No questions.

5 MR. WILLIAMS: No questions.

6 CHAIRMAN LAVAR: Ms. Schmid?

7 MS. SCHMID: No questions.

8 CHAIRMAN LAVAR: Mr. Olsen?

9 MR. OLSEN: Yeah. I have just a couple.

10 CROSS-EXAMINATION

11 BY MR. OLSEN:

12 Q. Can you hear me, Mr. Swenson?

13 A. Yes. I'm turning my phone up just a little
14 bit. But let me try now.

15 Q. All right. Thank you. This is Rex Olsen.

16 I'm the lawyer for the Office of Consumer Services.

17 Do you have your surrebuttal testimony?

18 A. Yes, I do.

19 Q. Can I ask you to look at lines 32 through 36?

20 A. I've got that up.

21 Q. Great. Thank you. It appears there that
22 you're suggesting that the Company should train less
23 sophisticated TS customers how to forecast demand.

24 Is that a fair assessment on that?

25 A. I'm sorry. I was looking at my rebuttal

1 testimony.

2 **Q. Ah. That would do it.**

3 A. Yes. Now I'm looking at it. Yeah. What I was
4 suggesting there, that the Company may have the better
5 expertise to help some of these smaller individual
6 customers learn how to forecast somewhat better.

7 **Q. Well, who would you suggest should pay for that**
8 **service? Would that be the sales customers or the TS**
9 **customers or who?**

10 A. Well, I think the -- I think that all
11 transportation customers pay a fixed cost fee to help
12 cover the costs of the extra services that the Company
13 provides. So, I assume that those account reps could be
14 utilized that are being paid out of those administrative
15 charges.

16 **Q. Well, I'd submit that might not that kind of**
17 **training be better considered the responsibility of the**
18 **agents who have solicited the customers?**

19 A. I'm not sure I believe that it's the agent's
20 responsibility. You know, I believe it's the customer's
21 responsibility to do it right, but I believe that the
22 entity with probably the best knowledge about how to
23 forecast your gas usage is the company and their experts
24 that work with these customers for many years.

25 **Q. I guess the final question I have on that is,**

1 by what metric or who would determine which of these
2 customers would lack the sophistication such that they
3 would qualify for the services?

4 A. Oh. I think if you were following my first
5 point where I'm suggesting that I think customers should
6 be given the feedback for some period of time to see how
7 bad they are, we could take a look at the worst
8 25 percent of all customers.

9 And I think that probably providing that kind
10 of feedback to people can change behavior in a positive
11 way by telling people that if you're the worst person
12 in terms of your percentage of nominations on the whole
13 system, you know you've got something wrong.

14 MR. OLSEN: Okay. I have nothing further.
15 Thank you. I appreciate that.

16 THE WITNESS: Sure.

17 CHAIRMAN LAVAR: Ms. Clark?

18 MS. CLARK: I have no questions. Thank you.

19 CHAIRMAN LAVAR: Okay. Any redirect,
20 Mr. Dodge?

21 MR. DODGE: No. Thank you, Mr. Chairman.

22 CHAIRMAN LAVAR: Commissioner White?

23 MS. CLARK: No questions.

24 CHAIRMAN LAVAR: Commissioner Clark?

25 COMMISSIONER CLARK: No questions.

1 CHAIRMAN LAVAR: Thank you, Mr. Swenson.

2 We're all finished.

3 THE WITNESS: Thank you very much for indulging
4 me on the phone with testimony. I appreciate that from
5 the Commission and all the parties. Thanks.

6 CHAIRMAN LAVAR: Any other matters that need
7 to be addressed before we recess until the public witness
8 hearing at five o'clock?

9 MS. CLARK: The only matter the Company would
10 raise, we would request the opportunity for post-hearing
11 briefs in lieu of closing statements.

12 So, we would make that request.

13 CHAIRMAN LAVAR: Post-hearing legal brief or
14 statement or ...

15 MS. CLARK: Either. We'd like the opportunity
16 to synthesize some of what was said here today along with
17 the prefiled testimony to the extent that there are legal
18 issues. And I think a couple have been raised today.

19 We'd like to address those in a brief or
20 statement post hearing rather than having closing
21 statements here tonight.

22 CHAIRMAN LAVAR: Do you have a proposal
23 in terms of timeframe and whether there should be a page
24 limit or anything like that before we go to the other
25 parties?

1 MS. CLARK: I would -- we're happy to do
2 whatever the Commission thinks is appropriate. I hadn't
3 given page limits any thought, but I think a week or ten
4 days would be plenty of time to put together what we
5 need.

6 CHAIRMAN LAVAR: Okay. Thank you.

7 Ms. Schmid, any comment on the proposal?

8 MS. SCHMID: Yes, I do. If post-hearing briefs
9 are ordered, I believe that it would be necessary to have
10 a copy of the transcript in hand for those briefs to be
11 most meaningful. So, if they are ordered, I'd suggest
12 that the time period begin to run after the transcript
13 is posted on the Commission's Web site.

14 MS. CLARK: The Company would be happen to
15 arrange with the court reporter for an expedited
16 transcript as well to the extent that's helpful.

17 CHAIRMAN LAVAR: Okay. Thank you.

18 Anything else, Ms. Schmid?

19 MS. SCHMID: I may ask for a few extra days
20 for all of us because, yes, I'll say it on the record,
21 I'm going on vacation.

22 CHAIRMAN LAVAR: Okay. Mr. Olsen?

23 MR. OLSEN: I don't believe the Office feels
24 that's necessary to have post-hearing briefs, but
25 obviously if you direct us to do those, we will do them

1 and I would agree it would be helpful to have the
2 transcript in as much as time as you deem you could
3 reasonably provide us as we're all busy.

4 CHAIRMAN LAVAR: Okay. Let me just ask one
5 more question of these two before we go on. And this
6 question is for everyone to consider, though.

7 Is there a bunch of practical distinction
8 between the Commission ordering briefing or the
9 Commission allowing briefing? In a practical sense,
10 does that make any difference?

11 MS. SCHMID: Only with regard to when that time
12 period begins to run.

13 CHAIRMAN LAVAR: Okay. Mr. Olsen?

14 MR. OLSEN: Well, I guess if it's ordered,
15 we of course have to do it. If it's something that is
16 discretionary, we would decide whether as a matter of
17 policy it was worth the time or trouble. So, I guess
18 that would be the distinction I would make on that.

19 CHAIRMAN LAVAR: Okay. Thank you.

20 Mr. Dodge?

21 MR. DODGE: And I would leave it up to the
22 Commission whether you think post-hearing briefs would be
23 useful or not. I think the practice is typically not to
24 include those other than in cases where you think it
25 might be helpful for parties to kind of bring their

1 positions together in one statement.

2 So, my view is, if the Commission thinks it
3 would be helpful, you should request those. If not,
4 I think you shouldn't if you think you understand
5 everything adequately, but we're more than happy
6 to brief it if you think that would be helpful.

7 CHAIRMAN LAVAR: Thank you.

8 MR. COOK: I'll just reiterate Mr. Dodge's
9 comments.

10 CHAIRMAN LAVAR: Okay. Thank you.

11 Mr. Williams?

12 MR. WILLIAMS: The only thing I think I would
13 add is that if the Commission desires to have some
14 post-hearing briefs that you may want to direct us as to
15 what issues or should we brief a position generally.
16 If there's something specifically that you would like us
17 to address, I'd like some direction on that if possible.

18 CHAIRMAN LAVAR: Okay. I think we should
19 probably recess and discuss the issue, but before we do
20 that, I'll see if Commissioner White or Commissioner
21 Clark have any questions before we recess for a minute
22 or two.

23 COMMISSIONER CLARK: I'm just thinking maybe
24 we ought to report back at five what we decide --

25 CHAIRMAN LAVAR: Is everybody in the room going

1 to be back at five?

2 COMMISSIONER CLARK: -- instead of reconvening
3 twice.

4 CHAIRMAN LAVAR: That makes sense.

5 COMMISSIONER WHITE: Good idea.

6 CHAIRMAN LAVAR: Okay. Anything further, then?

7 MS. CLARK: No. Thank you.

8 CHAIRMAN LAVAR: Okay. We will be in recess
9 until five o'clock.

10 MS. SCHMID: Thank you.

11 (Recess taken 4:28 p.m. to 5:00 p.m.)

12 CHAIRMAN LAVAR: Okay. We're back on the
13 record, and we are we reconvened for the public witness
14 portion of this hearing.

15 Before we go to that, we have discussed the
16 request for post-hearing submissions.

17 So, we are not going to mandate any
18 submissions, but we will accept up to, listening to the
19 time concerns expressed, up to 15 calendar days after
20 the hearing transcript is entered into the docket,
21 is received and posted on the Web site. We'll accept
22 submissions up to 15 pages.

23 We are not going to dictate that they have
24 to be submitted or whether they are briefs or statements
25 or comments. And we don't have any issues that we're

1 specifically requesting to be addressed. So, that's
2 going to be in each party's discretion on what to do.

3 Are there any questions about that process?

4 (No verbal response)

5 CHAIRMAN LAVAR: And if any party wants
6 to work out with the court reporter to expedite the
7 process for getting that transcript, would you have
8 information here today to give to someone?

9 (Affirmative response by the court reporter)

10 CHAIRMAN LAVAR: Any questions about that?

11 MS. CLARK: No. Thank you.

12 CHAIRMAN LAVAR: Okay. Does anyone have a
13 sign-in sheet for public comment?

14 (Discussion off the record)

15 CHAIRMAN LAVAR: So far we're not aware of
16 anyone? Okay. Well, why don't we give it -- okay.

17 We're still at zero?

18 (Affirmative response)

19 CHAIRMAN LAVAR: Okay. Well, then what I would
20 propose, to avoid us sitting here uncomfortably looking
21 at everyone in the room, is that we would adjourn until
22 the earlier of either someone -- and we'll have someone
23 checking in here to see if someone does show up.

24 So, if someone shows up, we'll come back
25 immediately. This was noticed up that anyone who wanted

1 to speak needed to be here by five-thirty and we would
2 accommodate anyone who arrived by five-thirty. That was
3 on the scheduling notice.

4 So, we would propose to re-adjourn at the
5 earlier of someone arriving to provide public comment
6 or five-thirty. Any objection to that?

7 (No verbal response)

8 CHAIRMAN LAVAR: Okay. We're in adjournment
9 until the earlier of those two times.

10 MS. SCHMID: Thank you.

11 (Recess taken 5:02 p.m. to 5:32 p.m.)

12 CHAIRMAN LAVAR: Okay. We're back on the
13 record. I'll ask Mr. Olsen.

14 Can we confirm that no one has made an
15 appearance to make public comment?

16 MR. OLSEN: No one has contacted our office.
17 So, I guess no one's here.

18 CHAIRMAN LAVAR: Okay. Thank you.

19 If there's nothing further from anyone,
20 then we're in adjournment. Thank you.

21 MS. CLARK: Thank you.

22 MS. SCHMID: Thank you.

23 (Proceedings concluded at or about 5:32 p.m.)

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CERTIFICATE

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This is to certify that the foregoing proceedings were taken before me, CLARK L. EDWARDS, a Certified Shorthand Reporter and Notary Republic in and for the State of Utah, residing at West Jordan, Utah;

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting, and that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages, inclusive.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.



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Exhibits	168:2,16,21 206:9,25 220:18 221:10 230:25 231:16	220:14 221:9 230:23 231:15	23 201:8	160 167:13
EXHIBIT- OOSC3 6:6 205:11	EXHIBIT-QG2. R 5:11 6:14 100:9 101:5 213:18	1.0D 167:24 168:15,21	101 198:10,20	18th 16:12
EXHIBIT- OUAE2 5:18 145:10	EXHIBIT- QG2SR 5:14 136:6	1.0R 16:13 17:13 206:8,24 220:16 221:9 230:24 231:15	101.7 64:17	19 65:9 158:10 224:23
EXHIBIT- OUAE3 5:20 146:6 204:22	EXHIBIT- UAEC1 5:8,9 25:20 27:14 78:23	1.0SR 16:16 17:14 168:2, 16,21 206:9,25 220:18 221:10 230:25 231:16	102 198:8,10, 21	19.064 140:23
EXHIBIT- OUAE4 5:21 154:14,17 166:22		1.1 16:11 220:15	10:28 81:3	191 82:9 173:13
EXHIBIT-DP1.D 5:23,24 167:24 168:15,21	\$	1.1R 16:15 220:17	10:30 132:12	1994 158:9 159:7
EXHIBIT- DP1SR 5:23,24 167:24 168:15, 21	\$1.7 170:5 173:11	1.1SR 16:18	10:41 81:3	1995 73:25
EXHIBIT- DPUC1 5:23,24 167:24 168:15, 21	\$2 195:18,19	1.2 220:15	11 81:2 197:9	1:00 138:19
EXHIBIT-QG1.0 5:3 6:8,17,21 16:10 17:13 206:7,24 220:14 221:9 230:23 231:15	\$25 122:20	1.3 23:23 67:12 220:15	11.6 222:5	1:01 138:23
	\$337,000 72:1	1.4 16:11	11th 194:6	1D 140:15
	\$692,000 67:14	1.5 66:3,4 67:10	12 80:16	1R 231:9
	\$790,000 66:3, 6	1.7 18:10,11,21 57:20 58:6 59:20,23 65:9 137:18 170:6 176:2	120 108:18	1S 140:15
	0	10 122:5 158:17,19,21	12:50 138:23	1SR 231:9
	07 68:1	10-dekatherm 121:25	13 38:3,8 46:9 47:4,6,23,24 48:21 69:9,14 188:9 189:14	
	1	100 31:16 37:16 55:17,20 56:2,14 64:3 65:15 88:20 198:8 200:21,	136 200:1	2
EXHIBIT-QG1. R 5:8,9 25:16, 20 27:14 78:23 87:17 106:15	1 25:20 27:14 78:23 79:1 144:15 184:7 231:9		137 199:25	2 145:3,10 184:7 213:11
EXHIBIT- QG1SR 5:6 6:11,20,24 16:16 17:14	1.0 16:10 17:13 206:7,24		14-057-15 194:6	2.0 213:1,18
			14-057-31 7:8	2.0R 100:9 101:5 213:1,18
			140 38:23	2.0SR 100:12 101:5 213:19
			14th 16:18 100:13 139:24 168:3	2.1R 100:10
			15 37:17 38:3 76:5,6 130:17 146:9,11 156:5 160:21	2.2R 196:24
			150 37:19	2.3R 100:10
			157 197:4,5	20 54:7 71:11, 15 81:2 159:7 160:3 170:3
				2006 146:14

2010 146:16 160:19	204:15,22 205:3,11	40 169:25 225:6,9	65 211:22	A
2013 101:15 129:5,9 197:8	3.10 33:16	400 210:7	66 211:22	
2014 16:12 28:11 62:3 100:14 101:16 129:5 130:14 156:5 180:20, 21 194:6 197:11,15	3.3 65:2 66:1 67:9	41 112:5,7	68 194:8	a.m. 81:3 94:10,12,14 95:16 107:19
2015 16:15,18 100:11 135:19 139:21,25 140:21 154:24 167:25 168:3	3.6 72:2	42 197:16	69 162:23 163:11	abbreviate 65:1
21st 139:21 140:21	3.657 141:15	45 197:12 229:8	6C 144:3,7	ability 29:11 87:3 102:10 104:10 115:8, 11 126:13 127:6 187:16, 23,25 208:1
228 197:3	3.695 224:21	4:15 182:3 229:10,17,18	7	ably 86:17
24 95:19 107:22	30 57:8	5	70 38:17 162:24 163:11	absence 63:12 215:6
25 53:1 75:18 115:14 122:2,8 143:7 169:17 235:8	300 77:20,23 93:5 167:14 169:13 181:10 188:11 189:15	5.01 27:15 28:2 51:7,18 192:10	71 194:8	absent 46:15
2500 169:21	300-plus 189:20	5.09 106:20 108:6 110:19 171:25 199:6 210:8	713 226:15	absolutely 28:16 62:10 86:21 87:4 113:4 195:5
260 170:2	31 111:20	50 116:6	73 112:6	absorb 19:7 68:18
2:22 204:9	31st 16:15 100:11 101:16 135:19	50-50 153:16	74 137:13	absorbed 185:23
2:35 204:7,9	32 111:20 233:19	509 110:15	77 137:13	accept 24:17 25:10 66:9 67:15 79:7 127:4,6 144:19 146:8,20
2nd 167:25	33 111:5,23	52 64:23 68:5,7	8	acceptable 49:6,11 57:1
2R 136:6 213:11	333 16:4 100:4	58 169:24	80 18:20 103:23 169:25 179:24,25	accepted 18:22
2SR 213:11	337,000 18:21	59 194:15	800-plus 144:6	access 79:6,22 131:14,16
3	34 38:9 111:5, 23	5th 101:15 129:8	847,000 70:6	accommodate
3 146:5,6	35 37:17 38:9 122:2,8	6	8:30 132:11	
	36 233:19	6 154:24	9	
	3:03 229:18	6.6 169:22	9.1 65:5,6	
	4	60-40 153:16	90 39:9,19 182:25	
	4 154:14,17 166:22	636 73:13 164:12	900,000 37:7	
		64 211:22	90s 73:13	
			93 38:13	
			94 159:24	

224:14	acknowledge 162:9	122:2 132:19 156:24 157:7 181:3,5 184:22 214:9 215:17, 22 218:15	20:14 21:3 40:7 44:1 49:25 50:1 65:24 66:7,11 67:5 68:4 69:23 73:3 74:14 77:24 126:18 127:2	231:16
accomplish 17:20	acquire 215:17	address 13:6 16:2 22:7 100:2,4 104:15 141:7 167:10, 13 172:23 174:13 182:24 236:19 239:17	adjustments 18:15,16,19,22 47:1 67:13 71:10 106:4 116:2 134:10 223:3 224:19 226:13	admitting 136:1
accomplished 222:20	acquisitions 194:20	addressed 71:3 90:14,16 190:4 228:4 236:7	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	adopt 141:14 206:14 213:7 231:5
account 73:3 169:23 173:13 207:10 208:24 209:6 211:9 222:21 224:15 232:7,9 234:13	act 189:7	addresses 216:9	administrative 9:17 144:1 145:5 215:2 218:14 226:2 234:14	adopting 222:17,18
accounted 186:5	activities 200:9 214:9	addressing 35:7 51:10 180:23 207:23 227:24	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	adoption 176:16
accounting 20:19	activity 163:22 181:3 184:25 186:9 187:8 201:15 202:25 224:16	adequate 104:6 127:18, 19	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	adopts 123:4
accounts 65:20 84:24 185:24	actual 21:11,13 29:8 37:6 116:16 124:24 125:6 131:6 169:8 171:2,6, 16 178:2 184:21 185:2,5 186:3,6,9,14, 15 187:3 194:25 195:25 232:5,7	adequately 239:5	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	advance 171:2, 6
accuracy 104:13 170:24 171:4 231:24 232:3	actuality 50:15	adhere 118:11	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	advantage 104:9
accurate 7:17 102:16,21,23 103:6 111:22 112:11 114:7, 11,21,24 117:7 120:23 121:4 127:1 132:3 149:23 154:1 179:17 207:25 232:2,16	add 10:3,9,17 12:10 38:22 58:5 67:10 131:12 239:13	adjust 43:6 46:21 67:10 69:23 95:22 121:17	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	advocating 163:11
accurately 18:5 22:19 59:10 101:22 103:3 113:1 119:25 121:23 185:4 210:14	added 77:23 122:2 189:5 209:18	adjusted 39:9 78:14 82:5	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	affairs 16:7
achieving 215:9	addition 67:10 69:19	adjusting 104:10 121:12, 13 171:20	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	affect 132:21, 22,23
	additional 19:10 22:6,8 23:9 24:4 32:5 50:16 83:14 104:15 109:17	adjustment 18:25 19:18	admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	affected 107:1, 3 216:20
			admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	affects 114:11
			admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	affiliate 31:8
			admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	after-the-fact 39:7 40:7 74:14
			admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	afternoon 8:20 142:3,4 167:7, 8 168:25 175:19,20 208:10,11 220:24 221:16 231:6
			admission 17:3,5 100:20, 23 166:8 168:15 204:17, 24 205:5 206:17 213:10 221:2 231:8	agency 78:14 79:3 80:8 81:9 131:15

agent 78:3 79:8,14,15 81:17,21,23 82:1 93:9 112:17 119:20, 21 120:14 121:3 122:17 125:16,20 133:12 143:13, 14 144:10,23 152:1,20 161:14 170:25 207:17 216:5 217:16 agent's 127:4 234:19 agent-level 76:17,22 78:11 81:12 124:13 agents 18:1 24:3 103:19 104:9 109:10 110:6,10 111:22 112:8 115:19 118:3 120:10,11,22 123:2,5,9 127:15 131:15 143:12 169:10 196:13 215:20 234:18 aggregate 81:23 104:11 112:9,15,25 113:6 114:12 115:23,24 116:1,3,13,15 118:3 119:20, 25 120:12 121:11 124:2,6 125:14,19 134:14 188:8 191:11 224:5	aggregated 23:3 64:8 78:3 81:24 88:25 112:22 113:8, 11,20 121:3,7 125:15 152:14 217:20 aggregating 23:4 152:21 188:2 aggregation 22:24 76:17,22 77:12 78:12 80:7 81:12 82:25 104:8 112:18 124:14 152:12 189:5, 10,13 211:24 215:19 216:5, 11 217:11,12, 14,23 219:12 aggregators 221:25 aggressive 222:4 agree 63:16 76:1,7 103:4 108:6 112:8 113:25 119:9 120:4,5,9 121:1 142:11 146:25 156:8, 10,15 157:4 197:7,10,11,15 198:15 199:17 207:24 210:22 215:15 225:2 228:10 238:1 agreeable 211:25 agreed 63:20 74:2 136:16	agreeing 115:5 120:2 agreement 78:14 79:3,6, 11,25 80:8 81:9 131:15 141:1 176:18 177:8 agrees 173:8 ahead 207:5 aimed 154:3 align 186:16 aligned 169:8 aligning 224:10 alignment 207:21 alike 113:9 allocate 61:9 144:15 153:21 157:19 170:5 173:15 allocated 170:18,20 allocates 153:8 allocating 34:19 144:12 154:6 allocation 34:9 49:24 144:13 162:20 170:10, 14 allocations 107:5 153:23 allowance 143:7 171:13	allowed 8:17, 22 21:3 22:12 27:13 44:20 51:7 85:3 112:8 116:11 148:18 150:15 152:1 172:3,12 173:7 174:13 180:7 215:20 217:21 allowing 42:25 78:11 238:9 alluded 179:15 altering 115:9 alternative 49:6 128:4,5 141:12 225:14 amenable 15:7 amended 139:22 140:21 156:8 amendment 140:2,4 amount 18:17 20:15 24:9 31:21 32:15 33:5,9 56:5 57:20 73:18 85:15 114:3 155:4,24 162:11 170:16 171:1 178:10 195:5 amounted 18:10 amounts 171:16 analogy 57:3,4 analysis 42:7	59:6,7 127:23 162:18 175:22 176:3,6 analyst 135:16 analyze 82:16 analyzed 127:8 analyzing 177:8 annual 169:17, 20 answers 140:7 168:9 183:16 anticipate 135:2 anticipated 155:8 anymore 10:17 30:23 anyone's 41:19 anytime 8:20 apologize 120:6 128:18 145:18 147:17 198:12,20 200:1 apparent 171:15 apparently 143:10 178:11 appearances 7:14,19 appeared 8:14 appears 175:3 221:20 222:3 233:21
---	---	--	--	---

applicability 146:24 147:6, 13,23 148:7 207:13	approves 197:25	53:23 81:23 89:24 117:24 120:16 121:19 140:22 141:10 142:18 156:16 163:5 164:15	108:1 135:17	attend 8:15
applicable 9:24	approximately 169:13,17,24, 25 170:5 194:15	assessed 18:14 21:15,16 23:2 62:21 85:20 92:24 141:11 152:16 158:20 159:9 160:8,13 163:20 215:22	Associates 139:16	attention 16:8 54:10 87:18 88:16 100:7 183:8 197:3,6 198:7,24 199:8
applicant 7:20 13:5,20	approximation 186:8	assesses 56:6 152:5	assume 15:5 37:12,15,21 66:24 82:19 114:10 191:21 192:22 217:14 234:13	attorney 7:22 8:3 53:13
application 7:4 156:8 187:6,10	area 51:1 65:13 133:17 134:4 172:8 188:18 197:19	assessing 56:10 141:13	assumed 232:20	attributable 191:23
applied 85:7 92:10 93:17 95:22 109:21 172:5 207:17 222:6	areas 188:13	assessment 22:4 23:5 24:15 63:7 142:10 215:11 233:24	assumes 185:9	attribute 35:14
applies 164:3 185:9	argue 19:20 20:12 118:5	asset 185:5 186:15	assuming 33:22 56:14 114:20,25 123:1 232:22	audit 146:14
apply 35:22 131:25 186:20, 23	argued 63:3 103:2	assets 186:13	assumption 30:1 65:20 71:16 72:4 114:21 227:11	auditing 186:9
appointment 7:11	argues 218:9	assign 17:21 81:24 108:12 169:3 184:14 186:17 223:16	assumptions 71:17,18 72:4 115:2	August 16:18 100:13 139:24 168:3
apportioned 74:2	arguing 119:5	assigned 116:5 162:5,21 172:22	atmospheric 131:5	authorize 217:19
approach 19:25 25:6 49:11 64:21 78:6 83:7 106:16 142:23 151:23 154:12 196:20 199:2 210:2 226:2	argument 10:21 22:8 45:13 70:1 85:1 86:17 127:6 157:10, 17 163:23	assigning 158:1	attached 16:11,14,18 79:5 100:10 168:16 220:14, 17	automatic 39:7 40:6 69:22
approval 170:4	argumentation 53:8	assignment 79:3	attachments 100:21,25	automatically 84:23
approve 61:17 170:23 215:12	arise 101:11 216:14,16	assigns 74:5	attempt 104:11 115:22 218:16	availability 216:15,17
approved 55:3 59:13 146:16 176:16	arrange 237:15	assist 25:6	attempted 107:10	average 21:8, 10 106:6 194:24 201:23 225:10
	artistic 35:22		attempting 70:11	avoid 108:20 118:2 226:7
	asks 24:14			avoiding 9:18
	aspects 156:7			aware 9:19 13:15 74:25 107:12 140:5 142:14 152:25 187:22
	asserting 18:14			
	assess 21:22			

awful 98:18	balances 19:23 42:24 48:11 50:6,9 58:17 82:20 88:24 124:3 159:5 189:3	barely 126:25	46:2,7 47:19 54:2 55:17 56:12 70:13 76:6 77:7 94:13 102:9, 17,24 104:22 106:9 108:8 110:20 111:22 112:22 120:13 121:7,9,11 125:15 131:9 132:4,6,9 133:5 137:19 146:11 160:11 171:17 172:6, 7,8 173:23 174:7 187:11, 18,21 191:5, 11,14 217:13 223:24 232:5, 17,18	behavior 21:23 22:3 26:17 77:16 104:5 198:2 235:10
B		base 20:21 94:16 177:5 188:15 189:12 232:2		behoove 11:17 188:8
back 12:15 20:18 36:5 40:15 41:8,9 44:14 55:10 61:2 67:5 72:21 73:13 75:4 77:19 81:4 98:5 125:2 131:21 134:8,14 138:24 155:1 157:22 158:9 163:10 186:1 195:14 200:7, 13 204:10 229:9 230:4 239:24	balancing 17:22 23:6 24:11 29:22,23 32:9 34:4 41:4, 14 42:1 49:16, 17 51:2 73:15, 16 75:1 76:12 82:25 84:18,23 85:6,16 102:22 104:4 105:15 124:23 141:10, 14 142:7,12, 15,17 145:17 146:25 147:2, 7,14 148:11,17 149:15 153:5 154:2,8 155:10,15,18, 21 156:17,20, 25 157:8,12 158:23 162:1 163:5,7 170:9 173:19 176:12 191:18,23 192:8,11 193:5,6 207:7, 18 214:11,16 215:18 216:4, 11 217:21,24 218:2,19 219:13 221:21, 23,25 222:20, 25 225:8 226:9,22	based 28:19 34:10,11,19 62:13 69:22 73:20 81:24,25 104:17 116:17 133:6 154:6 163:22 164:15, 19 171:11,13 176:23 177:8, 11 178:14 185:4 192:19 195:17 200:9 203:24 221:19 225:22 232:17		believed 11:23 177:25
bad 71:22 98:21 235:7		baseline 232:10	bear 214:6	believes 65:14 175:23 177:22 185:16
balance 18:2 22:5 26:10 30:12 39:16, 17,19 40:13 41:6 43:5,15 47:5,7,20,23 48:15,18,22 51:4 57:14 59:19,23 60:2 84:13,20 85:13 104:12 105:16 120:15 124:2, 4,19,20 142:20 152:4 160:9 171:21 173:23 177:25 179:25 188:6	Baltimore 76:9 226:20	basic 31:1 158:17	beauty 57:12	belongs 68:10 70:3
balanced 32:25	bandwidth 198:13	basically 55:25 72:7,20,21 74:5 95:8,13 112:5 142:7 207:6	began 53:25	beneficial 173:3 175:9
		basin 34:23 36:24 39:10 40:6 46:22 67:6 69:22 73:5 200:17, 18,23 201:12	begin 53:3 237:12	benefit 13:17 48:5 50:3 60:17 127:24 154:5 157:14, 16 200:2
		basing 57:21	beginning 22:10 62:3,7 112:5 158:10, 11	benefiting 187:8
		basis 11:11,14 13:2 22:19 24:3 25:5 26:20 27:11,12 32:2 42:2 43:11 44:15	begins 106:23 158:12 199:25 200:1 238:12	benefits 189:5
			behalf 8:3,7, 12,17,24 9:2 32:10 34:5 52:3,4 79:9 81:17 139:18 140:20 167:15 183:10 212:10 223:15,18 230:18,21	bet 203:16
				big 54:8 58:24 91:13 115:2 116:22 134:2
				bigger 90:3
				bike 56:22
				bill 164:14
				billing 96:17, 25
				bit 25:23 36:4 60:19 74:24 117:18 123:13 127:18 128:20 130:9 233:14

board 121:14	101:18 152:3 181:6 195:6	87:9 222:12	232:6	73:23 74:1 77:1 81:20 84:21 90:22 91:1 126:3 146:23 149:13 153:18 159:13 189:1 196:16 221:17,19
bolded 177:21	buck 115:14	buss 57:6	call 15:13,15 29:1 33:6 72:21 99:15 121:22 122:3 124:5 132:5 134:24 135:1 139:2 166:4 177:3 179:16 182:7 205:14 209:9 212:9	cases 23:20 34:22 153:17 154:1 171:18 238:24
books 20:20	bucket 74:8	busy 238:3	called 11:24 29:4 79:5 94:7 95:11 130:4	cash-out 115:15
bottom 27:15	building 95:12	buy 32:15,20 33:7,17,23 34:3 35:4 82:10 86:1 160:7 164:16	calls 130:7 177:1 193:1	cashed 76:6 149:20,22
bought 38:20 52:2	buildings 123:17	buying 35:3 56:18 157:7	capabilities 130:23	cashes 146:10
bound 79:14	bunch 238:7	C	capacity 7:12 155:5,7,15,17, 25 156:11,19, 25 157:7 160:22,25 161:24,25 162:6,12,16,22 182:22	cashing 202:8
brave 26:25	burden 60:13, 15 200:4	calculate 21:8 58:10,11 60:5 62:12 64:23 89:4	care 26:10 42:4 45:12 50:6,8, 18 52:16 73:22 83:3,5 124:9, 10,11	cashout 146:23
break 74:21 80:12,13,16,17 81:1 91:23 134:25 138:14, 19 147:17 201:18 203:21 204:7	burdensome 82:14 102:22 103:4	calculated 18:11,20 20:9 23:2 65:2 83:4, 5,8 119:19 141:15 173:11 207:9 225:22	carry 45:8,23 47:15	categories 223:9
briefing 238:8, 9	burn 37:24 38:13 41:15 43:20 68:24 69:20,23 74:16 91:12 114:17 118:2 119:16 122:8 171:2	calculating 57:19 72:5 112:16 232:18	carrying 54:2	causation 34:8
briefly 22:24 75:7 77:19 87:18 90:14 167:18 184:10	burned 39:6 40:3 66:18 67:1	calculation 18:13 19:17 20:14 23:4 62:24 65:1 66:3,17 67:8 72:7 82:17 85:4 131:23 141:9 152:21 170:22 173:16 178:15 188:9 195:1,9 223:4, 7 224:15 232:11	case 13:18 19:3,8,13 21:10 22:25 23:14 24:13 34:7 41:13 56:16 70:11	causing 116:9 225:25
briefs 236:11 237:8,10,24 238:22 239:14	burner 37:6	calculations 67:15 131:3		cent 176:10 224:23
bring 48:14 68:17 104:11 115:19 116:3 126:15 170:8 193:10,11,16 195:7 203:6 209:10 238:25	burning 33:8 43:12 46:5 116:19 117:23 122:2,24 123:12			centers 221:17
bringing 171:10	burns 38:3,9			central 133:16 134:4
brings 192:14 217:22	bus 57:4,7,8, 11,15			cents 64:24 65:9 66:7 68:1, 5,7 72:2 140:23 141:15 178:17 195:18 224:21 226:15, 18
brought 23:8	business 16:2 87:10,11 100:1,4 167:10,13			
	businesses			

century 143:4	165:4,6,8,10, 13,16,24	challenged 41:20	104:18 110:21 112:21 118:6, 10 123:2	145:17 152:5, 9,19 154:2,9
cetera 117:16, 24	166:3,7,11,14, 17,20,23 167:1	change 21:22 23:24 26:16	124:20,22	157:12 159:5, 9,17 160:4
Chair 174:10 204:23	168:17,19 174:21,24	65:25 67:9 77:16 104:4	125:4,11,18 140:23 141:7, 9,11,13,15	162:6 163:19 164:14,17,18
Chairman 7:2 8:11,23 9:8	175:13,15,18 178:25 179:2	106:1,7 127:19,21	142:13,16,17, 19 149:15	173:24 174:2 200:17 207:18
10:2,6,11,14, 17,25 11:4	180:9,11,13 181:18,20,22	131:23 132:16 133:6 190:25	151:9,11 152:6,8,14,16, 18 156:17	216:7 223:21 226:4,22
12:4,9,19,22 13:14 14:5	182:5,8,11 183:22 184:1, 3,5 190:3,14, 16,18 193:25	191:3 197:24 198:3 203:11 235:10	157:19 158:3 159:16 160:8, 13 163:5,12, 13,14 164:3,8	231:23 232:1 234:15
15:1,7,10,13, 17,20 17:4,8, 11 24:21,23	196:8,21 198:16 199:3 202:13,16,19 203:17,20	changed 151:2 181:10,15 197:9,13	170:12,19,21 173:15 176:11 177:9,22	charging 31:5 53:3 55:10 56:2,4,5,13,23 61:19 137:17 153:4 164:4
25:8,17 30:14, 16,19 35:24	204:2,4,6,10, 16,21 205:1,4, 8,12,15,18	changing 74:18,24 126:3 133:1	197:25 200:6, 10 201:14,25 207:7 216:2	chart 35:23 63:10 88:13 89:21
36:2 53:9,11 63:11,16	206:18,19,23 208:6 209:23, 25 210:3	characteristic 157:5	218:8 221:18, 19 222:4,9,17, 25 223:1,25	charts 97:6,17 98:25 99:11
70:16,24 71:6 74:22 78:7	211:3,15,18,21 212:7,11,14 213:12,16	characterized 116:20	224:11,20,21, 24 225:15,16, 19 226:6,11, 15,17,19	check 25:11 76:2,8 79:7 130:18 146:8, 20
80:15 81:1,4,7 83:13,16,18	218:23 219:1, 3,5,9,21,24 220:2 221:2,3, 7 227:1,3,5	charge 7:5 18:3,14 21:12 24:16 28:5,18 29:25 32:4	227:12 232:15	checked 152:24
86:25 87:4,6 90:7,9,11	228:7,17,19, 21,23,25 229:5,12,16, 19,22 230:6,8, 11 231:9,10,14	34:12 53:17 54:12 55:2,11, 20,25 56:1,6, 13 57:5,12,16 58:5,14 59:19 60:2,6,10,14 61:18 62:13,20 63:4,7,20 67:21 71:14 72:1,8,13,17 73:7 75:23 76:12 82:4 85:17 87:22 89:12 92:16,18 93:16 102:15	charged 18:18 30:4 92:25 122:25 143:15 151:14 164:6 195:21 200:25 201:10	checking 197:21
91:17,19,21,24 93:22 96:8	233:3,6,8 235:17,19,21, 22,24 236:1,6, 13,22 237:6, 17,22 238:4, 13,19 239:7, 10,18,25	charges 27:17, 20,22 44:9 51:19,21,24 52:18,21,23 55:4 59:10 61:9 75:24 78:12 112:25 141:10 142:7	Chesapeake 156:5 157:5	Chesapeake's 156:10
97:1,3,9,14,22, 25 98:11,19,22	chairman's 35:23		choice 58:18, 19 155:9 161:4,7,8 226:6,12	choose 79:8 150:12,13
99:2,6,10,17, 20 100:22				
101:3 105:4,6 106:17 110:24				
111:2 128:11, 13,17,22,25				
133:9 134:17, 20,23 135:3,6, 25 136:4				
137:1,4,24 138:2,4,6,9,12, 18,21,24 139:3				
140:11,14 141:20,22,24 145:4,7,9 147:20 154:13				

151:9,14 152:20 161:7, 11 174:2 chooses 150:5 chose 59:3 86:12 89:24 chosen 48:16 50:20,22 86:4, 23 169:14 186:12 churches 123:16 CIMA 8:13 182:2 205:17 206:4,7,8,24, 25 207:24 208:16 209:3,8 212:10 CIMA'S 208:21 circumstance 86:9 156:23 219:17 circumstances 142:8 162:9,15 citation 80:9 cite 78:20 cited 9:17 150:11,20 151:19 city 16:5 19:5, 11 37:23 100:4 114:4 133:13, 15,17,23,24 134:1,15,16 167:14 182:25 195:13 212:2 claim 195:23	claiming 50:2 60:17 clanged 197:17 clarification 98:22 227:8 clarifications 179:6 clarify 62:1 72:16 83:23 88:21 125:7 175:2 201:4 211:6 clarifying 92:5 98:24 clarity 22:23 52:11 Clark 7:9,21,22 10:7,8 15:13, 15,25 17:2,15 24:19 25:19 36:4 52:8 53:7, 15 61:21 62:1 70:7 79:23 80:9 83:20 86:16 87:13 90:5 93:22,24 96:3,6 98:24 99:3,14,15,25 100:19 101:7 105:2 111:10 128:16,18,25 129:2 133:7 134:18,19 136:2 137:1,2 138:9,10 140:12 141:20, 21 160:14 165:13,14 166:19 174:21, 22 180:13,15 181:17 184:4	196:8,10,20,23 198:16,19 199:2,4 202:11,19,21 203:15,25 204:1,20 205:7 206:22 209:25 210:1,5 211:1, 18,19 213:15 219:3,4,6,7 221:6 228:7,9, 15,21,22 229:14 231:13 235:17,18,23, 24,25 236:9,15 237:1,14 239:21,23 class 55:4 169:20 170:2 172:23 207:10 225:20 classes 155:16 Clay 36:24 39:10 40:6 46:22 67:6 69:22 73:5 200:17,18,23 201:12 clear 70:9 177:10 185:12 189:2 clearing 13:14 clicks 95:13 client 126:11 clients 117:25 close 54:4 74:21 115:20, 23 126:18,21, 24 closely 169:8	181:13 184:16 187:14 214:14 closer 117:18 closing 236:11,20 clue 43:12 code 79:22 cold 87:11 108:22 collaborative 207:20 collect 39:4 44:10 57:20 58:12 89:5 170:12,15 173:17 200:3 215:25 collected 59:20 164:18 195:12 collecting 216:1 collective 37:17 collectively 38:13 55:15 collects 215:3 column 197:6 combined 70:5 189:12 comfortable 96:22 comment 9:14 11:5 53:9 80:17 237:7 comments	98:23 173:7 239:9 commission 7:7,10 8:19 11:11,18 12:1 22:17,22 23:1 24:14 30:23 35:9,19,21 55:3 60:11,21 70:18 71:8,20 73:14 96:22 97:19 98:3,9, 13 99:10 123:4 136:17 137:10, 17 143:25 163:12 164:23 170:4,10 173:6 174:20 186:11 194:19 197:25 217:19 222:14, 15,19 226:10, 11 227:19,20, 22 228:3 236:5 237:2 238:8,9, 22 239:2,13 Commission's 97:18,21 227:14 237:13 Commissioner 7:8,9 9:21 12:5,11 92:2,4 93:20,22,24 96:3,6 97:4 128:23,24,25 129:2 133:7 138:7,8,9,10 165:11,12,13, 14 180:11,12, 13,15 181:17 202:17,18,19, 21 203:15 211:16,17,18, 19 219:6,7 228:20,22
--	--	---	--	--

235:22,24,25 239:20,23 commissioners 74:20 91:25 168:25 commissions 10:1 commodity 40:11 41:4 46:18 47:15 69:10 76:6 92:15 115:15 124:18,23 125:6,21,22 146:11,23 149:20 common 141:10 142:18, 20 189:25 207:15 210:13 211:12 companies 124:22 125:3 145:23 164:12, 15 171:18 172:12 173:21 180:4 company 7:4, 22 10:8 11:15 15:15 16:4,6, 10,13,16 17:2, 18,19,21,25 18:2 21:15,19, 24 22:15 24:7, 14 27:16,19,21 28:1 29:1 32:19,20 37:3, 5,15 38:20 48:6 51:21,23 52:17,20,22 56:17 60:13 62:6 75:4	81:22 96:24 99:15 100:2,9, 19 103:7 106:23,25 108:2,7,11,13, 15 110:15 113:7,24 116:14 119:16 124:24,25 127:22 132:4,5 137:2 140:22 141:14,21 142:22 143:23 145:19,23 146:21 152:25 156:18 157:7 160:19 162:10 167:21 169:3, 6,12 170:4,15 171:8,19 172:4 173:9,16,17 174:7,22 176:7 178:7 179:20, 21,22 180:2 184:4 195:11, 22 199:13 207:23 210:18 217:1 219:4 222:18 223:2, 7,18 225:15 228:12 233:22 234:4,12,23 236:9 237:14 company's 20:20 24:17 27:18 28:14 29:18 39:13 52:19 53:5 84:10,13 88:16 100:11 127:10 141:2 156:8,15 161:3 169:1 170:21 171:24, 25 177:23 178:17 207:7	210:7,22 211:8 222:8 226:13 Company- proposed 173:20 compare 56:9 59:12 114:16 comparing 59:2 compensate 165:21 177:15 compensation 51:8 complete 208:2 completely 70:21 125:8 compliance 172:12 comply 14:2 123:23 component 55:1 64:10 68:10 70:2 73:12 178:10 185:10 195:23 201:25 223:5,6 components 64:1 71:9,15 72:12 73:6 185:3 207:13 comprised 200:10 compromise 30:9 conceded 226:1	concept 163:18 concern 29:11 77:7 117:22 128:4 169:11, 12 187:5 213:25 214:18 concerned 70:10 225:21 232:17 concerns 21:24 26:15 63:12 77:11 101:11 108:24 117:20 207:6 216:9,14 conclude 22:14 67:18 136:14,22 141:16 226:3 concludes 46:3 105:1 174:8 190:1 218:20 226:23 conclusion 173:5 177:1,4 conditions 131:5 171:3 conference 22:11 185:19 confidence 22:15 confidential 61:15,23 62:5, 8 63:17 confirmed 101:19,23 105:20 confuse 93:8	confusing 124:21 192:4 confusion 201:5 connection 28:9 167:15 consensus 173:1 181:23 consequence 119:24 121:2 123:3 125:12 146:22 150:21 151:25 consequences 125:23 143:14 144:21,24 consequentia lly 13:19 conservative 130:8 considerable 218:4 considerations 14:14,24 113:18 222:13 considered 39:9 91:11 164:17 234:17 consistent 20:8 24:8 75:9, 11 76:4,11 107:16 151:6 154:10 159:23 218:18 constraints 26:14 45:5 47:12 110:2 115:11 116:8 207:23 216:13
---	---	--	---	---

consultant 167:13	189:24	91:17,18 99:6, 9 128:11,12	99:1 105:22 117:1 120:20	234:11
consulting 220:11 230:20	continues 102:3 169:11	138:2,3 165:4, 5 178:25 179:1	143:2 149:10 150:17,18	cost-based 74:7 176:19 177:6,9 178:15
Consumer 8:8 9:10 13:21 139:19 140:21 233:16	continuing 112:5	181:22 190:16, 17 204:11	154:24 156:1,2 159:6 161:6	cost-of-service 102:13
consumption 203:8,11	contract 19:6, 11,15 34:23 68:17 69:25 73:4 88:5,10 93:7,12,17 155:24 169:14 193:19	205:12,13 208:6 218:23 227:1,2 233:3, 4 239:8	175:25 176:13, 20 178:21 187:24 189:21 194:11,12,16 196:13,14 201:25 202:1 210:15 216:13	costly 49:11
contact 80:3	contracted 154:4	copied 147:15 204:15	corrections 168:6 213:4 231:2	costs 18:11 27:17,20,22 34:17,21,24,25 35:5 51:19,22, 24 52:18,21,23 53:6 56:8 59:10 73:21, 24,25 74:1,8,9, 10 88:7,8 102:14 103:25 153:9,21,23 154:6 158:1 169:3 170:5,11 172:22 184:14 186:2,3,14,17, 21 192:11 194:25 215:22 223:8,13,14,18 224:1 225:17, 22 226:14 232:5,7,12 234:12
contacted 129:19	contracts 18:8 20:4 31:12 34:22 93:3,6	copies 25:7 147:18,21 148:5	correctly 21:13 27:24 130:1 137:14 144:17 159:1	
contacting 189:15	contrast 32:7	copy 25:21 106:14 111:9 147:19 194:4 199:5 210:6 237:10	cost 17:21 18:9,20,24 19:16 20:20 21:8,10,11,13 31:4 34:8,9,11, 13,19 35:12,14 41:15 42:12,20 49:6,24 52:1,6 56:7 69:22 72:6 73:6,22, 25 74:5 87:25 89:3,5 125:6 153:24 162:20 176:23 177:8, 11 178:8,14 179:12 185:10, 18 186:1,6,13 194:10,24 195:8,11,25 201:23 223:24 224:7,10 225:20,24 226:8,14 232:16,18,22	
contained 16:24 183:16 184:11	contributes 131:2	correct 26:18 31:11,15,17, 18,23 32:16, 17,21 33:23 34:1,16,20 35:6 36:22,23 37:1,3,4 39:11, 21 41:1,16 43:18 44:11 45:24 46:1,14 48:24 54:24 55:17,23 56:15 57:23 64:5,9, 12,19 65:11,19 66:14,15,22 67:23 68:2 69:17 72:3,9, 10,14 74:6,15, 17 75:25 76:2, 15 77:22 78:1, 5 82:7,11 89:13,14 91:4, 7 93:14 98:25		
content 95:23 131:4,12,17,22 132:20	control 33:4 85:15,22			
content's 132:25	controlling 189:7			
contentious 22:20 136:13	conundrum 9:22			
contents 17:17	convenience 97:18 145:6			coughing 223:13
contest 183:2	convenient 97:19			counterparties 189:3
context 155:14 157:13 159:3 225:4	conversion 132:24,25			counting 23:6
continue 21:5 71:4 81:5 85:5, 10 120:11,24 122:8 136:20 172:15 173:2 174:2 217:17	converted 55:19 56:2			country 61:5 77:3 112:1 152:18
continued 23:6	Cook 8:24 11:3,4 12:9,11 14:6 83:13,14			couple 27:8 53:18,21,22 85:14 87:23

92:5 137:7 148:4 175:21 190:21 210:1 233:9 236:18 court 7:15 80:20 164:23 237:15 courtesy 80:19 cover 103:25 154:18 234:12 create 120:16 232:2 created 12:8 32:3 84:12 97:6 creation 172:20 credit 200:12 credited 173:12 200:7 criteria 211:25 critical 42:11, 13 116:24 215:20 cross 24:22 25:16,20 27:14 78:23 86:15,17 87:17 90:7,8 105:5 106:15 141:21,23 145:3,6,10 146:4,6 154:14,16 166:22 190:10 208:5 226:25 cross- examination 9:18 15:4 24:20,24 30:17	70:12 78:9,25 105:3,7 110:25 136:25 137:3,5 141:19,25 147:22 166:8 174:19,25 175:4,16 179:3 190:2,6,7,19 194:1 196:9 204:15,25 208:8 210:4 218:22 227:6 228:8 233:2,10 cross- examinations 13:16 cross-examine 62:9 70:20 cross- examining 13:19 70:25 cubic 96:2 131:11,21 cure 126:11 cured 39:13 current 45:3 48:2 102:22 107:17,23 118:14,18,19 126:3 137:10 144:20 164:20 172:14 179:7, 11 191:16 193:4 197:19 199:6 202:23 207:16,22 214:12 216:1 curtail 102:1,4 121:22 curtailment	105:21 121:22 189:6,17 curtailments 22:2 53:22,24 101:15,17 216:20 customer 19:19,21 20:4, 6 21:16 22:3 23:14 27:21 35:15,17 36:17,18 37:9, 16 38:3,8 41:19 42:9 45:21 46:15 47:23 49:3,5 52:22 56:19 64:4,11 65:16 67:2 69:8 78:4 79:3,8,14,21 81:17 84:2,13 88:24 89:7,8, 24,25 90:2,17 91:2,6 93:7,12, 18 94:5,6,16 96:19 101:14, 18,22 103:3,6 104:14,24 106:7,11 108:8 112:24 113:2, 14 114:7,13 116:1 117:12 118:22 119:13 120:19,20,23 121:8,17 122:1,3,14,19 127:20 130:24 131:9 132:8 133:22,23,24, 25 134:5,6 144:10 147:3,9 148:13 149:14 152:15 159:22 160:11 161:4,	7,8,16,17,18 169:8,22 170:25 171:17, 20 172:2 174:6 179:20 188:15 189:12 191:12 197:3,4,5,8,12 200:21,23,24 203:6 207:10 208:17,25 209:16 214:2, 19 215:8 217:15,18 218:15 221:24 223:10 224:4, 6,17 226:16 228:12 232:24 customer's 27:18 46:9 52:19 54:20 69:21 103:8 117:23 160:9 170:25 177:23 199:14 210:19 234:20 customer-by- customer 172:7 187:21 customers 7:6 17:22,24,25 18:3,7,18,23 19:2,5,7,9 20:2,7 21:4,5, 12 22:1,5,18 23:7,10,11,12, 17,24 24:2,10, 16 25:24,25 26:1,4,5,6,7, 11,14,16,20 27:3,13 28:2, 10,19 30:7 31:5,14,17,19, 23 32:1,4,6,11, 14,16,18 33:1,	17 34:3,12 35:16 36:17 37:7,24 38:12 39:14,15 40:9 41:18,20 42:14,15,18 43:21,23,25 44:16,19 45:18,21 46:22 47:8,22 48:5, 12 49:4,12,16 50:2,7,16 51:5, 12 54:1 55:12, 15,16 56:1,2,7, 14,18,21 57:21,25 58:13,20 59:1, 15 60:17,24 61:6,11 62:11, 14,22 64:6,7, 13 66:12,13 67:19,25 68:12 72:9,25 73:16, 17 75:2 77:7, 16,21 81:23 82:8,15,19 84:8,11,19,25 85:8,9 86:4,11, 18 88:22 89:20 91:7 93:3,5,8 95:20 96:12,23 101:22,24,25 102:2,4,5,16, 24 103:17,20, 21 104:11 105:13,15,18, 23 106:2 109:10,24 110:5,10 111:21 112:10 113:3,9,20 115:1 116:3,6 117:25 118:18 119:8 120:10, 12,14 121:13,
---	--	---	--	---

14,18,22 123:16,22 124:25 125:16 126:11 127:15, 24 129:13,18, 21 131:14 133:12,15 137:18 140:23 144:13 150:6, 11,13 152:20 153:5,7,8,20, 22 154:5,6 155:9,12,18,24 156:1,17,20 157:1,9,15,17 158:24 159:20 160:6,7,23 161:2,3,5,6,9, 23 162:2,13, 14,17,22 163:6 164:19 169:4, 10,13,15,16, 19,20,23,25 170:2,6,8,11, 14,16,18,20 171:21 172:11, 16,19,24 173:9,12,19, 21,22,25 174:1 175:25 178:2 179:8,23,24 180:4,5,20 181:7,9,10,12, 14 184:14,16, 20,25 185:1,5, 14,15,22 186:1,7,18,22 187:1,7,14 188:2,5,11 189:20,22 190:25 191:17 192:5,7,12,25 193:2,7,8,12, 13,15 195:6,21 197:2,5 200:4,	7,13 201:6,14 202:2,6 203:5 208:22,23 209:5 214:14, 22,25 215:14, 16,21 216:20 217:7,9 218:7, 12 221:21 222:7 223:1, 11,16,17,19 224:3,12 225:6,9,19,25 226:5 231:22 232:1,3,16 233:23 234:6, 8,9,11,18,24 235:2,5,8 customers' 21:23 43:7 101:12 102:8, 10,25 104:1,21 216:25 217:4 cut 44:3 193:12 cycle 72:22 92:11 94:12 126:5,7,25 127:3 144:15 186:4 209:11, 14 cycles 92:9 103:15 <hr/> D <hr/> daily 18:1,5,9 21:24 22:19 24:3,8 27:11, 12 29:4,12,22, 23 41:14 42:2 44:15,20 46:2, 7 47:19 54:1 61:5 75:1,18 76:5,12 77:2,7	82:24 92:11, 16,18,19 95:1 102:9,17,21,24 103:9 104:8,22 106:22 108:8 110:6 111:22 112:12 114:10 118:9 120:13 123:3 124:1,12 125:11,15,23 131:9 132:5 133:5 140:24 141:13 142:12, 18 144:21 146:9,21 147:14 148:23 149:1,4,16,17 150:5,21 151:8,14,16 153:13 154:2, 20 155:11 158:16,18 171:15 172:1 173:23 177:25 184:24 186:21 187:7 199:9,15 207:14 210:17, 20 214:1,10, 21,23 215:10, 18,21 217:15, 17,20 218:5,8 221:18,21,23, 25 222:9,16, 20,22,24 224:7,10,14 225:11,15 226:4,8,11 data 23:21,23 24:1 33:16,21 43:25 53:25 64:20 75:3,4,8 94:4,20 95:1,3, 7,11,19,25 106:8 108:18 131:25 132:8	143:24 214:24 215:3,11 218:16,17 232:5,7 date 10:22,23 11:20 dated 135:18 David 7:9 day 19:2,10 20:6 23:19 30:2 37:12,15, 24,25 38:14 42:5 43:14 44:5,13,25 45:22 46:10,19 47:2,16 48:4, 11,15,22 54:2, 5 57:6,14 58:4, 17 66:25 69:8, 13 72:24,25 73:1 83:2 92:7, 12,13,21 94:6, 10,11,14,24 95:16 96:11,12 102:9 103:6,15 105:19,20 106:3,4 107:19,20,23, 24 108:10 111:25 117:25 118:21 121:4 122:1 124:10 126:21,23 127:1 129:11, 12 130:6 132:10,13,14 144:11,14 155:8,23 156:1,19 161:1 171:2,8 185:8 186:4,10 192:21,22 197:9,13,16	200:22 201:8,9 207:11 224:6, 19 day's 57:9 day-ahead 191:5 days 19:20 66:12 94:11 101:21 108:18 118:3 119:25 129:7 185:13 214:11 237:4, 19 de 60:2 deadline 107:3,8,21 deadlines 108:5 deal 7:13 13:23 33:25 35:21 37:14 40:10 44:23 46:16,24 47:10 49:9 135:2 153:4 dealing 45:21 120:11 143:20 146:25 deals 144:7 dealt 45:20 144:22 164:10, 11 debating 164:21 decade 116:16, 21 December 16:12 101:15, 16 129:8 156:5
--	--	---	--	---

197:8 decibels 96:18 decide 49:19 60:12 67:24 238:16 239:24 decided 41:19 54:12 decides 226:10 deciding 64:17 decision 22:17 129:17 177:6 decisions 28:23 decrease 59:24 deem 89:3 238:2 defer 95:24 205:13 deficient 189:11 193:11 195:5 define 84:1 147:8 defined 186:24 192:10 deflect 218:16 degree 171:12 180:5 181:11 dekatherm 55:12,14 57:22 58:14 62:13 64:24 68:23 69:5,20 89:3, 12 95:13,23 96:11,21 115:14 122:21	132:2 140:24 141:15 159:18 176:11 186:4 224:22,24 226:15,19 dekatherms 39:25 65:2,6 67:12 89:8,9, 10 96:20 122:6 124:24 164:8 169:21,22 197:9,12,16 200:22,23 201:8 Delaware 152:3,12 156:5 delay 189:20 228:25 delegate 137:11 deliberate 12:20 deliver 40:20 68:13,14 69:14 84:4 113:17 114:5,6 delivered 19:3, 9,10 37:3,6 40:1 66:18 76:13 103:9 113:14 114:2,4 116:18 193:18 199:14 202:7 210:19 deliveries 41:14 115:20, 23 118:22 149:19,21,22 202:3 214:13 delivering	38:15 41:5 66:25 89:7,9 134:6,7 delivers 37:2,5 38:9 69:16 84:3 delivery 19:4, 8,13,14 37:18 38:5,8,11,16, 25 39:14 68:18 74:16 117:11 145:25 delta 48:23 demand 55:20 57:5 72:13 73:11 233:23 demonstrate 223:8 demonstration 58:25 demonstrative 88:13 denied 174:10 203:25 denominator 64:16 65:18 89:16,20 90:3 deny 12:22 197:21 department's 53:23 depend 14:16 49:5 142:8 depending 46:10 95:5 134:3 depends 29:18,20	deposited 39:9 derive 186:16 derived 70:22 194:10 describe 129:6 167:18 217:2 design 24:18 34:11 61:12 155:8,23 156:1,19 161:1 222:18 designated 81:21 designed 185:9 193:5 desire 9:13 146:2 desired 104:14 211:15 desires 239:13 detail 26:23 detailed 94:22 106:3 details 29:8 32:24 determination 73:7 92:9 137:11 determine 132:1 155:4 175:23 188:3, 16 227:22 235:1 determined 18:6 73:19 74:1	determining 74:8 136:15 develop 28:20 184:19 186:13 developed 222:10,12 devices 48:7, 13 50:13 85:12 dialogue 173:2 181:15 differ 164:25 difference 21:14 71:18 73:5 116:23 125:1 133:21 134:2 185:12 195:18,19 196:1 238:10 differences 70:18,19 88:14 differentiated 151:11 difficult 188:16 direct 11:12,24 15:24 16:8,10 17:5 18:6 22:3 60:8 72:15 99:24 100:7 135:10 139:9, 20 140:3,19,20 141:4 154:24 156:3 159:22 167:5,24 182:15 183:8, 19 184:12 185:11 186:19, 25 194:8 198:4,8,17,18, 20,21 205:24 206:7 212:18
---	---	---	--	---

213:1,25 217:4 220:6,15 230:15,23 237:25 239:14 directed 86:5, 22 Directing 183:8 direction 16:22 36:1 74:18,24 100:17 109:18 167:23 183:13 220:13 239:17 directions 168:5 223:21 224:18 directive 22:22 directly 21:16 25:12 86:19 104:24 133:6 158:1 216:16 director 16:7 100:5 104:19 183:5 212:22 disadvantaging 80:21 disagree 19:25 48:9 141:8 143:19 152:2 225:5 disagreed 18:13 141:6 disagreement 20:10 22:18 65:13 discourage 61:1 discovery	22:13 226:22 discretion 227:15 discretionary 238:16 discriminatory 225:13 discuss 239:19 discussed 30:8 discussing 36:14 discussion 12:21 24:6 28:7 62:24 87:19 111:13 148:1 199:1 225:4 discussions 61:15,23 62:6 136:11,13 189:25 228:1 disruptions 119:13 disruptive 127:5 222:11 dissimilar 226:17 distinction 93:4 238:7,18 distinguished 156:23 distinguishes 156:21 distinguishing 157:4	distributed 187:11 distribution 27:18 32:19 52:19 104:23 105:12 192:17 222:6 diverse 172:18 divide 57:8 64:10 65:4 dividing 90:1 Division 8:4 9:11 10:12 11:16 13:5,21 14:3 18:13 51:6 60:4 87:16,17 99:4 103:24 127:12 137:16 140:13 141:23 166:4 167:12,15 172:20 173:8 174:4,12 175:22 181:21 183:23 190:9 199:7 203:22 204:3 210:9 225:1 Division's 8:4 137:9 171:13 172:9 DMT 149:4,17 150:14 DMT' 155:12 docket 7:7 17:20 22:10 28:4 42:7 63:14 80:6 90:17,19 91:1 98:15,16 99:12	100:13 102:15 103:24 112:14 127:5 135:18 142:22 157:20 165:21 167:16 169:2 176:21 178:6,18 180:24 184:13 185:19 186:17 187:13 194:6 206:7 212:25 213:8 218:5 220:13 222:2 230:23 dockets 83:3 143:2 153:4 154:20 169:11 document 28:15 79:4,9, 13 200:6 204:24 documents 16:19 17:3 82:16 140:7 183:16 184:11 Dodge 8:12 10:25 11:7 14:5,12 15:4 17:10 30:16,18 35:18,25 36:6, 9 52:8,13 53:10,13 54:14 61:24 62:4 63:8,15 70:10, 15,17 71:5,7 74:18,23 78:6, 8,24 80:5,12, 25 81:5,6 83:11 84:6,11 86:14,17 87:2, 5,15 90:11,13 91:16 92:16 97:14,24 98:3,	17,20 99:1 110:24 111:1, 11,16 128:8 137:25 138:1 141:24 142:1 145:2,12 146:7 148:2 154:10, 15 160:17 165:2,18 166:7,13,16 175:15,17 177:2 178:24 181:22,25 190:12,14,15 204:12,14 205:13,16,25 206:17 207:1 208:4 211:5,14 212:9,19 213:10,20 218:21 219:22 220:7 221:1,11 226:24 228:18 229:2,6,21,22 230:3,7,16 231:8,17 233:1 235:20,21 238:20,21 Dodge's 239:8 dollar 65:5 dollars 164:7 Dominion 151:3,4,5,7 double 23:6 197:20 Douglas 8:5 166:5 167:2,11 downloaded 143:22 dozen 125:9
--	---	--	---	---

DPU 25:16,20 27:14 106:15 167:24 168:2, 15,16,21	E	efficiency 12:24	employment 167:16	entity 192:16 234:22
draft 109:15	E-quant 230:19	efficiently 189:17	EMVS 156:16	envision 180:2
drafting 29:17 83:24 84:3	earlier 52:10 54:16 58:17 80:18 85:13 160:16 175:3 196:12 199:7 201:22 202:25 210:9 229:7	effort 189:4	enables 189:13	equal 47:25 113:5
dramatically 36:16	early 83:23 180:20	efforts 189:19	encourage 61:2 173:22	equate 178:14
draw 36:12,20, 24 197:6 198:7,24 199:8	easier 21:22 232:12	egregious 54:11	end 40:14,23 43:25 46:17 47:17 50:16 67:4 68:21 72:24 73:1 83:7 85:4 134:11 200:1 229:10	equation 227:23
drawing 36:12 71:23	East 149:3 150:24,25 151:2,3,5,7 167:13	EGS 156:16	Energy 9:3 73:14 145:25 182:23,24 183:6 189:24 192:14 206:4 212:23 220:11	equipment 24:5 130:25 215:1,7,17 218:13
drew 77:23 98:17,20	elaborate 179:9,18	elect 149:14,16	enforced 46:6 48:3 207:17	equitable 136:15 160:19, 22,25 161:25 162:6
drive 71:17,18	Eastern 158:14	electric 73:17 76:10	enforce 46:6 48:3 207:17	error 171:12
drives 71:16 72:7	easy 11:25 37:14	Electronic 226:20	enforcement 103:12	errors 119:23
driving 232:3	eat 123:5	electronically 131:8 144:6 146:2	engage 202:25	essence 189:7
drop 67:21 68:1 178:8	economic 119:15 120:17, 24 121:1 122:22 123:23, 25 172:16	elements 228:4	engineer 104:18	essentially 78:10 232:15
dropped 67:12	effect 78:16 97:13 225:19	eliminate 42:3 217:14,23 218:1	entails 163:21	establish 141:6 232:4
DTS 149:1 151:8	effective 77:12 78:3 102:23 103:12 207:22	eliminated 20:6	enter 111:24	establishing 60:14
due 11:20,21 20:13 104:22	effectively 102:6 189:17 215:8	eliminates 44:1	entered 166:20 231:14	estimate 146:18 171:1 177:23
duly 15:22 99:22 135:8 139:7 167:3 182:13 205:22 212:16 220:4 230:13	efficiencies 222:11	employed 139:15,16 162:19 167:12	entering 25:17 171:19	estimated 171:6,11
duration 136:20		employees 108:2	entire 20:23 44:1 58:15 59:19 79:23 92:21 146:2 225:20	estimation 23:16
		employer 167:10		evaluate 50:1
				event 27:16 51:21 52:17 74:13 108:22

129:24 187:3 189:18	220:6 227:23 230:15	Exeter 139:16	expect 119:23 209:9	explains 23:1
events 86:4 101:25 102:7 110:1 129:4 130:17	examined 15:23 99:23 135:9 139:8 153:23 167:4 182:14 205:23 212:17 220:5 230:14	exhibit 16:10, 13,16,18 17:13,14 23:23 25:18,20 27:14 78:9,23 79:1 98:4 100:9 101:5 136:6 140:15 145:6, 10 146:6 154:11,14,17 166:22 167:24 168:2,15,16,21 178:9 184:7 194:4,13 196:24,25 199:7 204:15, 22 205:3,11 206:7,8,9,24, 25 210:8 212:25 213:18, 19 220:14,18 221:9,10 230:23,24,25 231:15,16	expected 38:15 102:8 214:23 224:12 expedited 237:15 expense 103:19 expenses 82:24 expensive 23:21 41:23,24 85:21 experience 73:20 104:17, 19 106:6,10 107:6 108:13 208:23 experienced 101:14 experiences 217:1 experiencing 109:12 expert 26:24 32:23 95:6 131:6 expertise 234:5 experts 234:23 explain 22:13 70:19 84:15 89:15 101:10 119:6 217:3 explained 39:3 77:6	explore 86:24 exposing 188:14 exposure 187:7 express 86:23 expressed 15:9 77:6 expressly 155:14 extent 71:2 80:23 94:25 107:4 176:25 225:22 227:18 236:17 237:16 extra 69:15 234:12 237:19 extrapolation 218:4
eventually 148:21	exceed 158:21 159:10	Exhibit-1 25:16 87:17 106:15		<hr/> F <hr/>
ever-ever 119:14	exceeding 150:22	exhibits 16:11, 15 100:10,12 166:9 168:16 206:18 213:1, 11 220:15,16 221:2 231:9		facilitate 103:15
every-day 106:9	exceeds 140:25	exist 188:25		facilities 186:6
everyday 110:20	exception 150:24	existing 25:4 104:3,5,7 121:9 172:4,10 174:5 179:15 216:11		fact 28:16,21 41:17 43:16, 19,22 62:6 103:21 109:23 112:20 119:6 126:21 176:10 178:6 187:8,19 188:23 196:2 201:1 216:19, 21 218:12
Everyone's 198:2,3	excess 19:4,7 55:13 65:17 68:17 76:5 125:19 146:10 152:10 156:11 159:6 160:2 185:16,17,21 195:12,22 209:3 224:22	expand 98:12 218:6		factor 55:17,21 56:3,14
evidence 13:2 20:16 22:16 60:9,12,16 86:22 99:12 101:21 217:2,9 221:19	excessive 170:7 173:12			
exact 32:15 55:16 56:1,13 77:24 123:18 162:11 186:8	exchange 226:8			
examination 15:24 83:19 92:3 93:23 96:7 99:24 129:1 133:8 135:10 139:9 145:10 146:6 147:22 154:14, 16 165:15 166:22 167:5 180:14 182:15 202:20 205:24 211:4,20 212:18 219:8	excluded 224:7 exclusion 13:2 224:9 exclusively 31:16 221:23 excuse 9:5 38:10,19 66:3 198:10 221:1			

factors 171:3	208:15	60:8 90:21,25	firm 25:24	focus 88:16
fail 203:11	fault 147:16	100:11 139:21,	26:1,20 32:9,	101:10 156:14
failed 166:7	February	24 140:20	16 38:21 49:17	197:3
223:8	197:15	167:20,25	68:9 91:8	focused 45:16
fails 90:17 91:3	Federal 73:14	168:2 183:9	102:4 105:22	144:8
failure 121:2	fee 65:25 76:12	194:6 206:6	122:13 217:9	folks 92:6
150:22 163:13,	136:17 137:11,	212:24 220:13	220:11 228:3	194:4
14 164:16	12,19 173:18	230:23	Fishman 14:22	force 46:3
fair 30:10 34:2,	234:11	filing 11:23	182:3 212:9,	136:14,20
9 35:11 41:17	feedback	12:23 63:14	11,15,20,22,24	137:12 172:21
56:11 57:3	21:18 28:19,20	82:20 169:1	213:21 218:21	225:4
59:9,15 60:6	61:12,15,17,25	filings 82:6,9	fit 14:21	forced 48:17
61:8 62:12,21	62:2 231:25	200:8	fits 182:4	forecast 171:5
67:18,24	235:6,10	fill 95:3	fixed 55:20	233:23 234:6,
110:13 142:9,	feel 59:11	final 92:11	223:17 234:11	23
10,15 153:10,	104:5 127:16	234:25	flat 21:21	forecasted
15 163:6	128:2 163:2	Finally 141:12	103:25 104:16	178:1
164:21 176:17	feels 237:23	215:18 218:9	126:2 137:19	forgot 38:22
194:9 233:24	fees 27:16,22	224:25	170:13,19	forgotten
fairly 10:20	51:19,21	financial 18:4	173:15,17	166:10
30:24 117:14	52:17,22 53:23	119:23,24	flat-rate 128:6	form 31:10
131:19,24	218:14	find 9:23 24:15	flawed 186:22	38:21 76:22
132:24 142:14	feet 96:2	42:23 78:19	fleshed 78:11	formula 60:20
fairness 42:12	131:11,21	80:14 115:18,	fleshes 80:6	63:23 65:13
49:25 157:18	felt 62:21 63:18	22 125:13	flexibility	68:6
158:3 162:18	82:16	150:20 157:25	20:12,14	formulaic
familiar 16:19	FERC 74:5	173:3 177:18	224:13 232:10	185:3
32:11 33:15	164:10,11	189:25	floor 96:23	forward 13:10
49:14,21 51:1	Ferrari 56:18,	finding 111:8	flounder 43:8	22:23 182:5
53:18 79:4,25	20 57:2	137:10	flow 29:2,3	found 150:23
81:8,14 82:2	field 36:19	finds 136:17	129:23 130:2	151:23 157:25
86:9 94:8	figure 33:11	170:10	144:11,14	176:22 186:9
100:14 142:24	43:19 97:11,	fine 14:3 61:16	186:5	194:19
145:14,16	22,25	96:24 190:12	flowing 201:11	Fourth 182:25
146:11,13,16	filed 9:11 10:24	201:21	fluctuations	Frederick
149:12 150:25	11:19,20,24	finish 14:17	102:9	100:3
151:12,16	16:9,12,15,18	68:3		
152:22 153:3		finished 236:2		
163:4 164:1,22				
183:10 190:21				
200:16,18				

free 23:6 45:12 163:2	furnace 209:16	95:17 100:5,6, 8,11 101:13, 17,18 102:3,6, 20,24 104:3, 18,19,20 105:16,17,23 106:1 107:20, 22,23 108:2 109:17 110:15 113:14,17 114:2,3,5,9 115:9 116:5 117:12 121:23 123:12 124:24 134:14 140:22 141:10,11 142:25 143:2,6 150:24 151:7 153:24 156:1 157:16 158:15 160:19 164:13, 16 169:5,7,10, 16,18 170:8 171:1,7,9,10 172:15 179:7, 12 183:5 184:18,23 185:3,13,16, 20,21 186:7,9, 12,20 187:6, 16,17 188:3,8, 12,17 189:4, 10,13,16 190:22 192:8, 24 193:22 194:9,10,15,24 195:11,20,23 196:3,4 199:6 200:3,12 201:24 202:3,7 208:25 209:3, 4,7,10,11,17 210:7 212:23 214:3,13 222:12 226:20,	21 232:21,23, 24 234:23	geographically 187:20
freeze-offs 110:3 129:15 130:5	future 11:17 163:22 164:4, 5,8,18		Gas's 18:7 25:24 45:2 68:17 73:20 101:24 102:10 103:20 183:2 184:13 185:6,7 187:12,25 191:25 192:15	George 134:6
frequency 203:3	G		gases 232:8	give 18:4 22:23 27:7 29:6 49:15,16,17 50:14 56:25 58:13 62:22 78:19 82:21 86:21 89:6,25 92:23 94:21 96:2 203:3 230:17 232:13
frequent 110:4	games 80:13		gate 19:5,11 114:5 117:11 133:18,23,24 134:1,3,11 195:13 212:2	giving 29:23 49:12 72:5 96:22
frequently 109:22 117:8 130:12,13 131:24	gap 95:1,3		gates 37:23 133:13,15 134:15,16	glosses 218:12
front 79:18 97:13 192:9 196:18 198:5 199:21 212:5	Gary 8:12		gave 143:24 147:18 194:3	goal 60:23 120:22 153:18 170:23 178:20
fuel 19:1 21:8, 11 34:24 70:3 148:23 149:10, 24 150:1,7 154:23 155:14 156:22 184:23 194:9 195:2,9, 20,23 201:24 223:5,21	gas 7:4,22 9:12 16:4,9,13,16 19:4,7,9,10,12, 14 20:1,3,15, 22 21:7,8,11 23:10,12,13,15 25:13 26:2,9, 18 27:1,18 29:11 31:12 32:20,25 33:5, 7,9,10 34:22 36:13,18,19, 20,21 37:2,3,5, 15,16,19,21 38:12,17,19 39:6,13,23 40:1,9,10,14, 25 41:3 42:1, 15 43:4,7 44:4, 6 45:9,10,20 47:17,20 48:6, 10,14 50:6 51:1 52:19 54:20 58:17 66:25 67:1,2, 20 68:13,17,25 70:3 73:19 75:10,12,18 76:9,13 82:10 84:3,4,20 85:15,17,20, 22,24 87:9,12 93:11 94:11		Gavin 8:9 135:7,14	good 7:2,17 8:2 25:1,2 30:20,21 59:7 82:18 85:19 105:9,10 111:2,4 118:25 119:1 138:17 142:3,4 167:7, 8 168:25 175:19,20 181:15 203:20 208:10,11 221:16 230:3
fulfilled 216:17			general 42:17 73:23 75:21 90:22 91:1 133:16 141:1 151:8 153:7	gosh 164:6
full 16:2 70:8 92:12,13 135:12 139:11 167:9 222:21 230:17			General's 8:3	government 123:17
fun 151:21			generally 154:8 161:23 180:23 190:25 239:15	grab 111:12
functionality 215:2			generation 73:17	granted 98:13
functionally 198:14			geographic 172:8 219:11	graph 35:23
functions 214:2			geographical 212:4 219:16	

great 31:3 50:12 135:2 218:6 233:21	guessing 73:8	happened 118:24 119:7, 13 129:6	238:1,25 239:3,6	hole 58:24
greater 141:13 152:18 170:19, 20 188:1 214:18 226:18	guidance 228:3	happening 43:12 85:5 119:2	Higgins 14:23 18:13 20:11 65:14 70:1 150:10 182:3 219:23,24 220:3,8,10,12 221:1,12 226:24 228:10, 23	honestly 74:11 163:3
greatest 180:5	guidelines 227:20	happy 14:2 15:6 56:22 124:11 237:1 239:5		Honor 10:4 83:15 140:9 166:2
greatly 23:21	guy 44:5,12	hard 115:19		hope 31:2 77:18 154:21 181:3
grocery 87:8 90:15	guy's 40:19	harder 127:7	Higgins' 67:16 68:3 150:10	hoping 73:10 74:21
ground 189:25	guys 43:7,11 44:4 46:23 47:6	hate 70:8	high 94:21 122:20 163:12	hotel 122:4
group 30:7 89:1 172:21,25 173:5 189:25 209:10 225:9, 12	H	heading 199:9 210:17	high-level 26:22 29:7	hotels 87:8 90:15
groups 21:19 36:17 61:13 62:3	half 28:10 56:6, 8 65:21 66:4 67:22 71:16, 17,18 72:7 96:20 109:5 178:9 180:21	hear 120:21 182:21 208:12 230:1,4 233:12	high-volume 181:12	hour 95:18
growth 102:1	half-sent 226:19	heard 63:6,7 93:2 130:20 180:19	higher 22:1 24:9	hourly 94:13
GS 32:16 39:14 41:18,20 43:21,25 46:22 49:4 55:16 56:2,14,18 69:21 113:9 156:16 157:16	hand 25:7 143:18 146:1,3 147:12,16 148:3 154:11 198:25 237:10	hearing 7:3,11 9:1,24 13:2 174:10 236:8, 20	highlighted 199:10 210:16	hours 95:4,19 104:25 107:2, 7,20 151:20
GTS 151:8	handed 25:11 194:17 196:24 199:5 204:24 210:6	hearings 12:25 22:14	highly 136:13	huge 47:13
guess 11:9 42:23 43:9 45:12 47:3,24 48:11 55:9 77:12,17 81:14 83:9 94:20 97:4 145:2 194:18 211:6 219:10 234:25 238:14,17	handful 181:8	heat 23:13 87:10 95:23 131:4,12,17,22 132:20,25	hiring 83:1 118:2	hundred 38:13 57:24 64:17 164:7
	handle 91:13	heating 116:22	historical 73:20 171:14 192:19	hypothetical 50:5 84:11,14 89:6 200:20
	handled 134:9	heavily 169:18	historically 104:9 110:6 187:17	hypothetically 50:12
	happen 85:11 105:13 108:23 118:23 119:3,4 203:9 209:7 237:14	held 22:11	history 73:12 216:21,22	I
		helpful 173:1 181:16 227:21 228:5 237:16	hit 109:1	identification 168:2
			hold 16:6 115:12 116:17	identified 17:3 31:20 75:5,14 76:3,9,21 142:21 145:13

213:25 222:2 225:18 226:21 227:16 identifies 79:13 172:1 186:19 187:25 identify 74:25 145:17 153:18 172:10 174:6 180:3 182:17 188:13 189:11 identifying 154:3 157:13 185:2 ignorant 54:17, 18 III 100:3 ill 12:7 illiquidity 126:14 illustrate 37:11 illustrates 98:6 illustration 77:20 illustrative 97:15,21 98:4, 9 image 98:14 99:11 imaginary 232:22 imbalance 18:14 19:15 20:2,23 21:4, 17 24:7,15 26:8 29:25 30:3 38:5 39:1, 13 40:23 41:21	44:2,6 45:8,22 47:9,18 48:6 49:1 50:10 55:4,13,14 57:22 58:4,7, 15 61:5 62:13 68:16 72:24 76:18,23 77:2 78:12 82:17 83:2 88:21 89:2 90:2 92:15 96:21 102:14 103:10 108:8,10 109:6 112:16 113:22 114:12,15 115:16 118:9 125:6,11,14, 17,18,23 126:12 143:7, 14 144:22 148:23 150:16 152:9,15 158:16,18 159:11,18 172:2 180:5 185:8 186:21 188:9,10,14,18 193:3 199:15 208:23,24 209:6,8,13 210:20 211:9 217:12 218:8 219:14 221:18 222:9,16 223:25 224:8, 10,17,18,20,21 225:15 226:4, 11 227:12 imbalanced 188:24 imbalances 18:9 19:21,22 20:5,6 26:11,	21 27:13 28:11 31:14 32:22 35:1 42:5 43:22 46:23 50:19 51:11 54:2 62:23 64:4,7,11,20 65:4,16 66:5 67:11 68:19 69:6 73:3 84:21,25 91:14 102:10,18 103:1 104:2,8, 21 106:23 113:8,11 125:14 140:24 141:13 144:12, 15,24 146:10 151:15 152:11, 18,21 158:20 160:2 185:4 189:2 199:9 210:17 214:8 215:21,22,24 216:5,6,7 217:20 218:2 222:23 223:10, 13,22,23 224:4,14,22 225:11,23,25 imbalancing 85:20 124:14 162:7 immediately 130:4 impact 102:10, 12,18 113:7,8, 11,18,20,23 114:1,18 115:3 133:21 170:16 171:4 187:3 189:4 203:8 impacts	104:24 116:14 124:3 127:23, 24 203:10 218:7 implement 130:14 implemented 104:16 implementing 232:17 important 30:24 36:10 39:22 50:1 60:21 63:19 92:1 102:7 111:21 133:3 185:25 216:13 impose 45:3,6 47:1 62:12 75:1 114:16 119:18 125:11 142:12 146:21 151:24 163:12 172:5 188:10, 17 226:11 imposed 26:3, 8 27:1,10,11, 12 28:1 75:24 108:14 117:16 126:22 150:16 159:4,5 160:2 175:24 176:11 187:18 214:16 216:3 219:15 222:25 226:5 imposes 29:1 51:11 144:22 146:9 152:18 222:2 imposing 112:16 187:16	imposition 158:22 222:16 impression 63:20 improve 18:1 23:21 169:6 171:22 173:2 174:1 218:5 231:24 improved 24:2 improves 12:24 inaccurate 184:20 216:25 inappropriate 214:5 incent 17:25 77:16 102:23 104:4 115:25 118:15 127:14, 20 188:21 incentive 18:4 30:11 102:16 104:6 114:23 119:15,23 120:17,18,25 121:4,6,8,10, 16 122:18,23 123:23,25 126:20 172:16 179:7 incentives 115:7 incentivize 118:20 179:17 184:15 187:14 incentivized 197:24 include 19:16
---	---	--	---	---

223:20 232:6 238:24 included 20:20,21 87:19,22 89:13 102:14 131:13 171:24 178:19 199:7 includes 55:5 including 22:8 40:10 60:4 69:6 72:6 91:3 102:20 223:12 incomplete 144:4 incompletely 222:10 Incorporating 224:19 incorrect 21:24 increase 172:18 181:7 214:1 222:5 increased 27:8 incremental 31:21 34:17, 21,25 49:24 75:24 215:6 223:14 incur 51:25 55:14 82:24 incurred 34:20 53:24 154:7 160:4 164:14 186:2,21 223:9,15,18 incurrence 34:8 42:12	49:24 incurring 159:17 incurs 27:16 51:21 52:17 independent 176:5 independently 193:19 Indiana 145:20,23 individual 78:4 90:2 93:11 144:12 152:15 160:11 170:16 171:16 172:11 173:20 174:6 179:20 188:11, 15 189:14 207:24 208:17 221:24 234:5 individually 46:24 118:1 indulge 87:14 88:12 indulgence 35:20 63:9 147:20 229:25 indulging 236:3 industrial 23:11,14 209:15 industry 111:25 124:12, 15 207:16 210:14 211:12 inequitable	165:22 inequity 136:19 influence 216:16 influenced 28:14,22 influences 132:19,21 information 28:22 60:5 94:17,18 95:21 114:8 117:15 131:18 133:4 167:20 171:14 176:6 179:22 180:3 informative 231:25 infrequently 106:13 inherent 224:13 inherently 232:10 initiating 232:11 inject 201:8 injected 185:18 195:14 injection 200:16,25 injection/ withdrawal 34:24 injects 200:21	input 114:4 instance 46:19 instances 171:15 instituted 130:12 instituting 28:4 instructed 82:1 90:18 91:3 instructions 126:13,15 instrumental 183:12 integrity 107:4 115:9 189:9 intend 210:10 intended 177:15 178:18 203:23 interchangeabl y 29:5 93:13 interest 13:18 24:17 194:21 interested 222:15 interject 52:8 63:11 70:7 internet 143:22 interrupt 90:18 91:3 117:22 119:7 interrupted 117:13 interruptible 32:2,9 49:16 91:5,6 122:12	interruption 41:21 116:16 118:22 124:5 interruptions 124:9 interstate 20:9 155:5 156:19 158:13,24 159:9 interval 132:7 intervening 14:7 141:3,5 167:21 190:8 intervenors 11:15 13:24 19:20 23:8 102:19 103:2 104:2 112:14 intervenors' 88:15 intolerance 49:19 62:14 67:20 75:19 143:13 146:21 159:21 210:25 intraday 106:11 191:7 202:24 intradays 203:13 introduce 221:18 222:9 investigate 222:19 investing 23:20 investment 215:6
---	--	--	---	--

investments 24:4	J	kind 12:6 28:4 30:5,9 37:11 41:20 45:7 63:22 69:7 75:1 79:25 109:11 125:11 127:21 129:24 132:3,9 133:16 142:23 152:19 163:5 234:16 235:9 238:25	150:13,14 158:13 161:23 162:2 169:19	24 138:2,4,6,9, 12,18,21,24 139:3 140:11, 14 141:20,22, 24 145:7,9 154:13 165:4, 6,8,10,13,16, 24 166:3,11, 14,17,20,23 167:1 168:17, 19 174:10,21, 24 175:13,15 178:25 179:2 180:9,11,13 181:18,20,22 182:5,8,11 183:22 184:1, 3,5 190:3,14, 16,18 193:25 196:8,21 198:16 199:3 202:13,16,19 203:17,20 204:2,4,6,10, 16,21 205:1,4, 8,12,15,18 206:19,23 208:6 209:23, 25 210:3 211:3,15,18,21 212:7,11,14 213:12,16 218:23 219:1, 3,5,9,21,24 220:2 221:3,7 227:1,3,5 228:7,17,19, 21,23,25 229:5,12,16,19 230:6,8,11 231:10,14 233:3,6,8 235:17,19,22, 24 236:1,6,13, 22 237:6,17,22
involved 83:10 86:2	January 197:11		largest 169:22, 23,25 225:6,9	
IRP 194:6 205:1,2	Jeff 182:2 212:9,15,22		Larry 9:2	
islands 192:16	Jenniffer 7:21		Las 75:16	
issuance 29:14	Jeremy 8:24 11:3,4	kinds 86:11	lastly 76:9 104:17 162:23 177:13	
issue 13:1,11 18:25 19:18 20:10,11 21:6 22:20,22,24 23:8 29:11 35:20 41:5 46:4 80:15,18, 24 87:3 90:14 104:15 109:21 115:12,18 116:8 126:4 130:9,10 136:12 137:17 158:11 239:19	Jerome 8:10 139:2,6,13	knew 193:10	lateral 222:1	
	job 40:19 119:2,3 183:4, 5 192:23 220:9	knowing 117:11	Lavar 7:2,8 8:11,23 9:8 10:2,6,11,14, 17,25 11:4 12:4,9,19,22 13:14 14:5 15:1,7,10,13, 17,20 17:4,8, 11 24:21,23 25:8,17 30:14, 16 35:24 53:9, 11 63:11 70:16,24 71:6 74:22 78:7 80:15 81:1,4 83:13,16,18 86:25 87:4,6 90:7,9,11 91:17,19,21,24 93:22 96:8 97:1,3,9,22,25 98:11,19,22 99:2,6,10,17, 20 100:22 101:3 105:4,6 106:17 110:24 128:11,13,17, 22,25 133:9 134:17,20,23 135:3,6,25 136:4 137:1,4,	
	join 161:11,13	knowledge 234:22		
	joining 7:12	L		
	Jordan 7:9,10	lack 94:18,20 235:2		
	July 16:15 100:11 135:19 139:21 140:21 167:25	lag 215:7		
issued 45:25 116:16	June 194:6	laid 70:22		
issues 13:3,6 21:25 22:6,9 24:13 29:8 71:3 101:14 108:25 117:20 129:11 130:5 142:7 169:9 172:23 173:1,4 180:23 188:19 216:16 219:18 236:18 239:15	jury 98:5	Lake 16:4 100:4 133:17 134:7 167:14 182:25		
	K	language 104:6,7,15 107:17 118:14, 18,19 127:17, 19 217:24 218:3		
	keeping 13:18 41:5			
	Kelly 8:1 15:16,21 16:3, 10,14,17	large 54:2 73:16 102:5 123:22 170:7, 18 181:9		
issuing 124:8	Kevin 135:1 182:3 220:3,10	larger 73:15		
italicized 177:21	kicked 91:3 122:11,14			
item 66:2 67:9 68:5	kicks 159:11			

238:4,13,19 239:7,10,18,25 law 164:1 lawyer 163:24 233:16 LDC 61:4 154:4 lead 21:25 104:17 leads 60:20 learn 234:6 learned 28:14, 21 lease 56:20 leave 45:10 63:19 238:21 leaving 38:10, 13 46:23 led 54:3 101:14 228:2 left 7:9 8:6 48:6,13 50:13 85:12 178:10 legal 13:1 107:15 163:23 177:1,4 236:13,17 legally 177:4 legitimate 60:6 length 88:14 lengthy 22:12 lenient 109:19 letter 86:20 level 20:12 26:3 27:2 29:13 49:19	78:3,4 89:24 94:22 101:22 103:3 104:14 109:11 112:17, 24,25 113:2 116:1,19 119:20,21 120:19,20,23 121:3,17 125:19 127:20 143:13 144:23 146:21 148:18 149:21 150:16 151:10 152:2, 19 164:10 171:19 187:9, 20 188:10,15 193:22 194:14 207:17 208:17 216:5 221:24 232:9 levied 226:19 levying 226:22 lie 32:7 lieu 225:16 236:11 life 66:16 light 152:4 196:1 222:13 lightning 109:1 limit 47:11 129:17 137:10 207:16 224:23 236:24 limitations 14:9 limited 126:8 158:19 206:4 223:25	limits 24:8 172:13 219:12 237:3 lines 77:23 111:5,19,20 137:13 162:23 163:11 177:20 194:8 198:8, 10,20 211:22 233:19 liquidity 126:8, 19 live 46:11,12 49:20 93:2 living 124:5 load 55:17,21 56:3,14 loads 178:1 located 142:23 145:19 152:17 location 114:2, 6 117:11 219:16 locations 113:15 long 30:2 46:17 66:13 102:12 114:13 126:25 129:10 144:6 186:2 longer 92:1 122:12 175:5,6 longstanding 214:5 218:1 looked 75:7 118:15,17 125:19 143:8 146:15 156:22	157:12,22 lose 193:15 loss 217:8 losses 232:21 lost 69:7 232:22 lot 34:22 61:12 109:2 120:3 122:16 125:2 133:3 144:2 149:9 lots 98:16 117:19,20 loud 148:9 low 169:21 lower 90:4 104:22 179:12 lunch 138:18, 23 LVC 153:6 LVCS 49:15,21 <hr/> M <hr/> M-a-n-g-e-l-s-o-n 135:14 M-c-g-a-r-v-e-y 182:20 M-e-d-u-r-a 206:3 M-i-e-r-z-w-a 139:14 made 18:15 20:13 33:16 68:7 73:3 74:12 86:17	97:23 98:1 108:15 109:7 127:13,22 129:17 130:8 175:4 207:25 216:12 223:3 227:12 Mag 230:23,24, 25 231:9,15 magically 47:25 Magnesium 8:13,17 230:21 Magnesium's 229:23 main 28:3 53:16 169:1 maintain 30:3 156:18 189:8 major 20:10 24:12 65:13 make 7:5 10:21,22 12:16 18:5 22:17 24:4 30:25 37:10,13 47:1 57:17 69:25 70:11 72:5,14 77:2 80:17,24 85:1 94:23 102:16 103:6 106:4 108:11 111:22 114:11 115:22 116:2 117:6 119:3 126:19 127:18, 19 134:10 147:18 163:13 174:15 191:10 194:5 198:9 203:13 204:13
---	---	--	--	--

<p>208:21 229:11 236:12 238:10, 18</p> <p>makes 107:25 109:20 118:13 185:12 190:22 191:17 219:13</p> <p>makeup 181:14</p> <p>making 86:1 95:2,5 127:1 133:5</p> <p>manage 26:21 32:22 42:24 102:6,11,25 103:18 104:1, 21 109:25 112:9 116:25 117:9 125:5 127:7 133:12 215:4 218:17 222:12,22</p> <p>managed 134:4 214:15 221:25</p> <p>management 102:13,18 105:12 146:14</p> <p>managing 20:2 214:3,7,21</p> <p>Mangelson 8:9 135:1,3,7,12, 14 136:1,24 137:3 138:13</p> <p>manner 153:9 207:8 218:17</p> <p>manufacturing 171:4</p> <p>March 154:24</p>	<p>158:9</p> <p>mark 25:15 78:25 145:3</p> <p>marked 17:14 25:20 78:23 101:6 106:15 136:6 140:16 145:10 146:4,6 154:12,14,16 168:1,22 184:7 205:11 206:25 213:19 221:10 231:16</p> <p>market 21:7 126:20 156:12 172:15 179:7, 11 195:17,25 196:2,5 209:11 222:21,22 232:23</p> <p>marketing 171:18,19 172:11,14 173:21 174:7 179:21 180:4 183:6 206:4</p> <p>marketplace 222:11</p> <p>Maryland 76:10</p> <p>match 101:12 102:8 105:18 119:15 126:15 129:22 171:16 184:16 187:15 192:13 208:22 214:14</p> <p>matched 110:6</p> <p>material 222:5</p> <p>Matt 205:17</p>	<p>matter 7:4 9:9, 20,25 13:14,25 16:9 17:18 28:6 81:22 100:8 101:9 106:15 118:4 126:10 222:8 228:2 230:20 232:14,20 236:9 238:16</p> <p>matters 7:13 15:11 113:19 236:6</p> <p>Matthew 205:21 206:3</p> <p>Mcgarvey 9:6, 7 12:7 13:9 14:21 21:6 174:11 182:1, 7,8,12,17,19 183:20 194:7 196:12 200:5 201:20 203:18 208:13</p> <p>Mcgarvey's 13:7 203:24 204:25</p> <p>Mcguire 9:3,6</p> <p>meaning 31:7 38:4,25 39:8 84:20 109:15 129:11 179:11 212:3</p> <p>meaningful 214:24 237:11</p> <p>means 11:11 55:24 88:21 104:4</p> <p>meant 179:9 212:4</p>	<p>measurable 23:21</p> <p>measure 95:22</p> <p>measured 143:13 171:7 221:23</p> <p>measurement 171:6</p> <p>measures 187:24</p> <p>measuring 24:4</p> <p>mechanical 83:7 108:23</p> <p>mechanism 103:12 110:21</p> <p>mechanisms 222:22</p> <p>Medura 14:21 21:7 182:2 205:17,18,21 206:1,3,6 207:2 208:5 210:6 211:7 212:8</p> <p>Medura's 204:8</p> <p>meet 19:9 103:16 155:7 156:19 160:23 161:1,25 162:7</p> <p>meeting 28:9</p> <p>meetings 28:14,16,17,22 63:13 180:19, 25 181:1,2</p> <p>member 148:19 150:4</p>	<p>memory 75:9, 12 76:4,11 86:8 129:9 151:6</p> <p>Mendenhall 8:1 15:16,17, 21 16:1,3,8,11, 14,17 17:6,16 24:19 25:10 30:20 35:25 36:11 52:9 55:10 56:17 61:22 71:1,2,9 77:19 81:8 82:4 83:22 91:22 93:25 96:9 97:3,5 130:22 176:9</p> <p>mention 216:9</p> <p>mentioned 8:18 14:8 58:16 72:23 85:13 190:1 216:22</p> <p>merit 70:24</p> <p>messed 148:4</p> <p>met 60:15</p> <p>meter 43:11 84:19 94:5,15, 16,19 95:9,12 96:1 131:3,6,8, 11,19,24,25 132:1,3,5 133:2 171:7</p> <p>metered 43:20 149:4,6,14,17 150:5 155:10, 11</p> <p>metering 23:9 94:1 130:19,24</p>
--	---	--	---	---

131:2,7 132:20 215:1 218:10, 13,17 method 144:11,13 185:4,7 186:20,23 188:12 195:10 214:6 218:1 methodology 59:7 184:18 186:11 metric 235:1 Michael 174:11 182:12,19 microphone 80:22 middle 144:8 Mierzwa 8:10 139:2,3,6,11, 13 141:18 142:3 143:21 153:2 162:23 Mierzwa's 96:10 Mike 9:3 183:20 million 18:10, 11,21 57:20 58:6 59:20,23 64:17 65:2,5,6, 9 66:1,3 67:12 137:18 169:22 170:5,7 173:11 mind 34:7 84:10 116:23 118:25 minds 130:7	mine 148:3 154:22,23 minimis 60:2 minimize 173:24 minimum 96:11 115:14 164:14 minus 25:4 26:2,7,13 27:2 29:14,15,19 30:3 66:21 67:3,4 103:8 108:7,10 109:7 110:19 118:8, 12 172:1 199:13 207:14 210:12,18,23 minute 35:18 41:10 42:6 57:17 63:8 65:12 66:24 72:11 128:16 239:21 minutes 81:2 138:16 229:8 mischaracteriz ations 160:16 mismatch 209:19 missed 15:11 misstate 227:9 mistake 10:21, 24 11:25 mistakenly 194:10 misunderstood 175:6,7,12	mitigate 77:10 184:25 215:23 216:7 mitigating 218:2 mitigation 219:15 mix 178:12 mixing 125:4,7 MMT' 155:11 modeling 192:20 modifications 7:5 135:21 modify 141:9 modifying 218:3 molecules 201:11 moment 9:13 12:20 41:9 87:15 88:13,17 91:25 201:18 money 95:10 200:3,11 monitor 33:5 118:1 181:13 monitoring 23:16,18 215:17 225:7 monitors 95:14 month 40:14, 20,24 46:17 55:15 57:5 68:21 106:9 193:4 197:7,17	monthly 23:25 27:11 40:11 41:4 47:15 142:20 149:6, 14 155:10 193:5 215:24 months 59:8 82:5 83:8 morning 7:2 8:2,20 25:1,2 30:20,21 105:9,10 111:2,4 132:11 176:9 180:17 203:25 209:15, 18 220:24 motion 9:9,10, 11,15 10:3 11:6 12:22 63:12 97:10, 13,23 98:1,2, 12,13,23 174:10 184:1 203:24 204:13 motions 184:2 motive 12:7 move 13:10 14:17 17:2 36:4 61:2 72:20 97:20 100:19 145:5 160:18 166:8, 15,16 168:15 204:7 206:17 213:10 221:1 224:18 231:8 moved 97:11 moves 99:13 MT 55:4 59:13 177:23 178:2,	11 multiple 103:15 133:13, 14,18 171:21 multiplied 89:2 multiply 64:2 municipal 176:11 mute 225:24 mutually 173:3 211:25 MVS 156:16 <hr/> N <hr/> narrow 198:13 national 148:23 149:10, 24 150:1,7 154:23 155:14 156:22 natural 23:11, 13 169:10 172:15 183:5 210:7 nature 172:18 177:9 necessarily 11:13 65:25 88:10 176:2 214:4 219:15 needed 54:12 155:25 171:1 191:9,15 193:16 203:1 214:11 negative 67:1 158:16 187:1
---	---	---	--	---

189:3 218:6 223:23 neglected 204:23 negligent 53:5 54:16,17 net 19:18 57:22 58:4,7 64:3,6 65:15 66:19 67:4 88:20,22 89:15 134:8 187:3 188:14 189:4 201:1,3 215:21 224:4 232:7 nets 66:18 113:21 netted 19:22 55:15 88:25 89:10 113:11 185:7 188:9 netting 57:25 58:2 89:19,20 187:5 Nevada 75:16 NFGD 155:4,7 no-notice 20:24 26:19 31:10 32:10 38:21 44:17 47:17 50:9 56:7 68:8 72:11,19 73:7, 25 78:2 84:23 85:7 87:25 88:4 105:14 159:11 177:24 184:22 223:25 nominate 22:19 24:3	68:14 77:7 81:17,22 174:3 188:6 196:13 nominated 38:4,10 67:2 92:22 116:18 140:24 209:4 217:8 nominatees 36:21 37:16,17 208:25 nominating 54:1 107:1,21 108:3 133:22, 23,25 134:1 147:7 197:23, 24 232:16 nominating- party 172:6,7 nomination 37:18 43:6 57:13 72:22 76:18 92:10,11 95:2,5 101:20, 23 103:6 104:12 105:20 106:2,3,7,12 107:2,8,11,14 111:24 112:23 113:4,16 114:7,10,17 120:20 121:18 122:1 124:1,14 126:21,25 132:16 133:5 144:16 146:25 147:1 148:10, 17 163:7 169:7,9 170:24 171:14,22 172:2 173:3,22 179:17 187:22 188:22 197:8,	12,16 208:15 215:12 216:17 217:15 218:18 nomination's 39:19 114:21, 23 nominations 18:1,5 21:25 23:22,24 24:2 30:11 39:8 53:20 59:16,23 66:17 93:10 94:17,23 101:12,21 102:8,17,21,23 103:3,14,18 104:5,10 105:11 108:3 110:7 111:22 112:9,12,15 113:1,3 115:13,20 117:1,7 118:1 119:16 120:23 121:14 124:6, 12 126:17 129:12 132:16 144:7 169:7 171:5,15,19, 20,21 172:3 173:23 174:1 180:1 184:17 187:15 190:22 191:1,3,10,17 192:13 197:1 202:24 207:21, 24 208:13,20 214:7,15,21 215:4 216:13, 16,25 217:5,18 218:5 235:12 noms 69:23 108:5	non-gas 169:4 172:22 222:6 non-fo 119:25 non-pooling 147:3,9 148:12 normal 9:25 north 134:12 note 7:15 133:3 185:25 194:14 226:17 noted 141:9,12 notice 18:8 39:4 54:23 55:5,8 68:8 72:12,21 73:2, 18 74:8,13 88:1,5,9 106:25 107:7, 18 134:10 144:1 145:5 159:14 160:7 162:11 177:15 178:7,20 notwithstandin g 62:6 201:1 222:24 Nucor 8:24 212:10 number 7:7,23 27:7 43:17 65:14,15 66:1, 2,4,12 67:5,9, 12 68:4,6 70:5 71:25 84:6 88:17 89:8 90:20 102:2 124:21 130:17 131:20 133:1 141:8 166:12, 15,16 169:15	172:19 181:7 207:9,12,19,22 210:7 numbers 37:11 64:22 65:9 67:16 77:24 81:24 114:18 numerator 89:13,16 <hr/> O <hr/> oath 213:8 220:24 230:6,9 231:6 object 53:7 61:21 70:13 79:23 86:14 160:14 objection 17:4, 7,9 25:17 53:9, 14,15 70:7,25 99:3,4,5 100:23 135:25 138:19 145:7 166:19 168:17 176:25 184:4 190:6,10,11 204:16,18,20 205:4,6,7 206:19,20,21 213:12,13,14, 15 221:3,5 229:13,15 231:10,11,13 objections 13:4,25 15:9 17:10 102:19 166:17 183:22, 24 190:13 objectives 17:19 169:2
---	---	--	--	---

218:4	Office's 76:21	140:9,17	operational	140:11 217:13
obligated	OFFICER 9:1	141:18 165:8,	21:25 29:2,3,	opted 185:3
214:25	official 80:20	9,25 166:1	10,18 58:22	option 22:4
observe 94:16	officially 140:3	174:24 175:1,	77:11 85:6,22,	49:12,15 56:25
obtain 94:5	offset 66:22	11,13,14	24 101:11,14	57:13 59:2
obtained	67:11,25	183:24 184:2	109:20 113:10,	62:22 84:11
101:24	114:14,19	190:13 193:25	13,18,23 114:1	149:6 150:12,
obvious 11:10,	216:6	194:2 196:6	115:3 116:4	13 151:7
13 118:19	offsets 20:4	204:4,5,18,23	118:4 129:4,23	221:24 226:7
occasions	207:11	205:2,10	130:2 203:8	options 28:18
109:9 117:21	OFO 29:1,14,	206:20 209:23,	207:23 214:13	33:2,12 57:1
124:21	15 45:25 46:13	24 213:13	216:9,12,25	85:14 95:9
occur 22:2	115:12 116:8	219:1,2 221:5	217:1,3	149:24 170:15
84:21 101:17	120:12 121:5	227:5,7 228:6	operationally	order 11:12,15
117:7,8 207:14	124:5 126:4	231:11 233:8,	114:12,18	12:3,13,16,18
occurred	130:15 187:17	9,11,15 235:14	134:2	13:15,20,23
101:15 232:19,	188:17,20,23	237:22,23	operator 48:14	14:1,6,11,13,
22	198:2 207:16	238:13,14	50:6 147:3,9	19,23 29:2,3
OCS 33:16	216:4	Olson 8:7	148:12	46:13 65:25
136:6 140:15	OFOS 29:9,12	on-site 94:5	opinion 21:14	73:13 101:19
offer 49:18	102:23 115:18	one's 86:20	57:12 96:19	102:6 127:19
73:15 124:16	119:21 121:9	one-dekatherm	107:15 112:23	129:23 130:2
193:6	Ohio 76:3	96:23	173:1 219:11	136:19 137:10,
offered 101:9	145:19,22,23,	one-unit 38:11	opportunities	17 154:22
210:8 217:9	25 146:12,14	ongoing 132:9	103:18 222:22	155:15 156:4,
226:6	148:14 149:3	173:4	opportunity	25 164:12
offering 51:3,4	150:24,25	online 94:7	11:8 80:1	171:20 173:24
70:11 209:8	151:2,3,5,7	open 60:3	82:21 236:10,	181:24 182:4
office 8:3,7	Olsen 8:7 9:5,	156:12 198:9	15	190:6,10
9:10 11:16	16,21 10:4	operate 214:23	opposed 11:21	ordered 73:14
12:6 13:6,21	12:5 13:12	operates 75:22	118:2 142:15	237:9,11
18:12 125:10	14:2 17:6,7	operating	154:5 158:2	238:14
135:15 137:9	24:21,22 25:21	104:23 214:2,	186:1	ordering 238:8
139:1,18	90:7,8 97:4	9,15 215:7,10,	opposes 137:9	orders 11:18
140:20 174:12	99:5 101:1	19 216:3	217:12	original 128:2
190:9 203:22	105:4,5 128:15	218:14	opposite 66:20	183:25
204:5 233:16	134:23 135:1,	operation	187:10 188:25	Originally
237:23	6,11,24 136:7,	117:9 214:6	189:3 195:10	181:8
	24 138:14,15,		224:18	originate
	25 139:1,10		opposition	195:15

originated 195:16	34:25 39:23 40:5,10,15 42:3,18 52:4 85:8 122:17 234:14	167:19	61:11 68:12, 15,19,23 69:5, 15,20,21 85:9 95:10 124:1 149:15 164:12 173:9 174:2 192:7 215:1 218:13 223:11 228:13 234:7, 11	115:13,16 119:19 120:14, 15 121:20 122:15 142:13 152:22 158:20 187:2
OSC 205:3,11		parties 9:13 13:8,18 14:7, 15 21:20 22:11,13,20,23 59:6 74:3 81:12 98:12 141:3,5 167:21 173:7 175:10 181:15 190:8 236:5,25 238:25	paying 18:23 24:10 34:13 50:16 57:5 69:18 74:4 105:23 186:1 191:18 215:14	penalty-free 198:13
out-of-balance 89:9 173:24 174:2	pairing 188:16			pending 9:9 11:6
out-of-tolerance 47:9	palatable 30:7			Pennsylvania 158:8 160:20
outlier 222:4	paragraph 79:13,14,15,21 106:22 144:3 147:11 148:6,7	party 100:22 107:1 135:25 145:7 168:17 183:22 204:16 206:19 211:16 213:12 221:3 231:10		people 7:23 11:13 60:3 61:2 63:20 98:7 115:12 116:17 117:15 119:25 147:23 189:16 229:8 230:4 235:10, 11
outline 207:6	paraphrased 52:9	pass 7:18 11:8 52:1 57:5,6,7,8	payments 51:10	
outlined 24:9	pardon 224:20	pass-through 82:5,9 83:3 200:7	pays 57:16 59:21	
overlapping 146:17	parenthetical 88:17	passing 53:5 204:13	peak 161:1	per-customer 191:10,13
overreaching 59:12	parse 120:6	past 11:19 27:9 53:6,21 63:5 122:15 163:14, 15,20 164:4,19 174:3 219:14	penalize 116:17,18 232:16	per-unit 56:13
overseeing 197:19	part 9:22 31:9 44:23 64:16,23 75:13 98:5,8 108:14 119:4 126:20 127:10 144:4 185:14 191:18 194:25 210:8,10 227:22	patience 201:20	penalized 122:10 187:3	per-year 56:12
owed 124:24	participants 136:16 189:7 222:21	Patricia 8:2	penalties 22:1 47:13 51:10 53:24 81:25 91:2 102:5 108:12,14 112:17,22 114:16 117:15, 24 118:2 122:16,20 160:1 186:21, 23 187:7,8,10 188:10,21,24 214:16 218:2	percent 18:20 20:17 21:1,3, 17,18 24:6 25:5 26:8,12, 13 27:2 29:14, 16,17,20,21,24 30:4 31:16 38:8,11,17 40:24 44:15,20 45:2,3,6,8,24 46:2,5,9,25 47:4,6,7,11,21, 23,24,25 48:1, 2,4,6,19,21,23, 25 49:8,10 50:10,14,17
owes 124:25	participate 82:9 83:2,6 181:1	pay 20:7 21:12 41:22 42:20 55:16 56:20 57:2,9,14 59:15,17,19		
<hr/> P <hr/>	participated 80:2 167:16 180:25			
p.m. 138:19,23 204:9 229:18	participating 82:15 161:3			
pack 20:11,13, 16,19,21 102:25 104:20 109:14 232:11	participation			
package 77:14 162:21				
packing 29:17 83:24 84:2 89:7				
pages 144:6 197:3				
paid 17:24				

55:13,17,21 56:2,6,8,14 57:18,24 58:8, 13 61:19 62:14,20,24 63:1,4,6,7 64:3,14,15,17 65:15,17 66:5 67:19 69:9,14 71:11,15 75:18 76:5,6 85:2,3, 6,8 88:20 89:18 92:14,23 103:8,12,22,23 108:7 109:7, 15,16 110:20 140:25 141:14 143:7 146:9,11 149:21 151:10, 11,15 158:17, 19,21 159:4,6, 20 160:1,10 169:17,24,25 170:3 172:1 179:24,25 180:7 194:15 198:12 199:14, 18 207:14 210:12,19,23 211:8 214:23 224:5,9,23 228:12 235:8	performed 225:10 performing 188:4 period 57:23 58:15 64:12 65:16 88:24 103:23 107:3 108:19 132:18 150:22 185:6,8 186:10 231:23 232:4 235:6 237:12 238:12 periods 121:5 189:6 permission 35:23 permit 158:15 permits 108:7, 11 person 44:25 45:1 62:25 114:11 235:11 personal 96:19 personally 8:15 personnel 215:7 perspective 35:8 118:4 PGC 155:8 161:2 phone 8:22 14:8,22 233:13 236:4 photograph 97:8	physical 85:22, 24 95:22 physically 19:24 33:4,9 85:15 117:22 134:13 picking 56:18 piece 124:18 pieces 100:20 154:18 Pipe 94:7 95:25 131:10, 13,14,16,18,22 132:8,12 158:15 pipeline 20:9, 22 21:1 27:19 31:7,9,13 32:19 34:10,14 36:13,22 37:2, 18,22 38:19,20 40:25 44:8,9, 13,14,21,24 45:15,16,22,23 46:3,10,12,16, 24 47:7,10 48:2,7,13,18 49:14 50:13 51:23 52:1,3,4, 20 62:16 65:8 67:20 68:20, 24,25 69:1,2 84:18 85:5 104:25 105:12 108:24 110:2 155:5 156:11, 19 158:13,25 159:4,10,19,25 160:22 164:16 193:22 195:13 200:17 201:6 224:13	Pipeline's 45:11 73:7 pipelines 45:2 73:14 103:9 186:5 192:15 199:15 210:20 223:12 pipes 104:23 Pipline 51:11 place 7:3 63:13 77:10,14 99:11 123:8 130:2,6 179:20 211:10 217:10 219:20 230:8 placing 217:15 planning 104:18 plans 102:11 plant 108:25 129:15 plants 138:10 play 80:13 pleading 10:9, 13 pleasure 30:22 plenty 237:4 point 9:20 10:21 11:9 15:2 31:20 39:16 54:11 60:4 80:24 97:12 99:13 112:19 129:25 130:2 153:25 157:11 164:21 177:17 179:25 187:12 204:11	211:25 212:2,3 228:1 235:5 pointed 11:22 points 22:13 190:1 201:4 212:5 policies 77:10, 14 policy 9:18 238:17 pool 147:3,8 148:12,19 150:4,15,16 152:16,20 161:6,11,13, 15,17,20 pooling 90:24, 25 148:18 150:1 152:1,12 161:14 163:7,9 pools 148:15 152:15 poor 35:22 187:22 portion 69:21 153:19 157:13 170:19,21 177:24 223:17 pose 200:20 position 16:6 96:14 100:2 135:15 164:2 183:1,2 187:9 206:2 212:21 220:9 239:15 positions 13:19 188:25 232:7 239:1
---	--	---	--	--

positive 158:15,18,20 187:1 189:2 223:22 235:10	prefer 134:24 preferences 14:10 prefiled 100:8 167:24 206:12 207:3 212:25 213:5 231:3 236:17 preliminary 7:13 15:10 premarked 167:23 premature 222:10 preparation 80:3 135:18 183:12 prepare 135:17 139:20,23 167:22 prepared 14:13 16:21 100:16 139:20,24 167:22 183:13 220:13 230:22 present 22:11 136:9 139:18 168:12 174:9 231:21 presentation 14:1,7,11 presentations 13:8,15,20 presented 102:19 141:4 180:24 presenting 13:19 125:4	pressure 41:4, 21 45:4 pressures 104:23 pretend 38:2 66:25 pretty 91:2 177:10 prevents 215:8 previous 132:13,14 136:11 165:21 169:11 184:1 previously 106:15 194:3 price 21:7 22:5 89:25 172:14, 15 179:7,12 195:8,24,25 232:24 prices 202:9 pricing 225:24 primary 62:25 63:25 173:14 principal 220:11 principles 34:11 159:24 prior 91:1 94:11,14 107:2,20 132:17 144:10, 14 222:17 228:1 pro 81:25 144:15 187:11 problem 12:8	42:3 54:8 116:11 123:24 188:18 189:21 problems 41:21 51:12 116:9 217:1,2, 3 procedures 10:1 proceed 168:24 213:24 221:15 proceeding 7:18 22:7 53:3 99:13 111:18 139:21 141:4 162:22 proceedings 30:23 34:18 80:19 149:10 153:24 process 12:24 22:14,16 23:15 106:11 107:11, 14 108:1,3 111:15,18 131:4 136:21 141:7 153:18 169:7 170:14, 24,25 171:10, 23 173:3,22 191:8 200:18 207:20 217:21 222:19 processes 23:12 215:3 procure 188:6 produced 136:12 179:13 produces 65:6	producing 66:5 production 102:13 115:10 203:10 productive 181:4,6 products 224:2 program 51:10 94:7,8 161:4,8 prohibition 164:24 promised 164:14 prompts 29:13 pronounced 158:6 proof 60:14 proper 169:9 properly 117:24 198:9 proposal 21:20 22:25 24:18 28:15,23 43:1 59:9 77:1,4 78:11 80:6 82:18 88:16 102:20 112:21 123:4 127:10, 12 128:2,4,5,6 140:22 141:2,6 142:12 156:10, 15 183:3 214:1 221:17 222:3, 8,14 225:21 228:11 229:11, 13 236:22 237:7
---	---	--	--	---

proposals 88:15 141:8 225:1	25 107:18 147:21 155:15 156:25 173:7, 18 188:1,12 213:22 217:17 228:3 238:3	pulse 95:11	109:11,13,17 113:4 127:11 128:1 131:9 137:20 180:5 209:4 230:6 237:4	47:10,17,20 48:1,6,7,10,13, 14,18 50:5 51:11 52:1,3,4 58:17 65:8 66:16,25 67:2, 20 68:17,20, 24,25 69:1,2 73:7,19,20 81:21 84:18,20 85:5,17 93:11 100:6,8,11 101:13,17,24 102:3,6,10,20, 24 103:20 104:3,18,20 105:16,17 106:1 107:6, 10,13,16 108:2 110:15 130:25 133:22 140:22 141:11 159:12, 19,25 162:16 169:5,18 170:9 171:10 178:19 183:2 184:12, 18,23 185:3,6, 7,13,16,20,21 186:6,9,12,20 187:6,12,16, 17,22,25 188:3,8,12,17 189:4,10,13,15 190:9,22 191:25 192:7, 15 193:6 194:14 195:4, 11,13,15 196:4 198:1 199:6 200:3,6,12,17 201:6 202:5 203:22 204:1 205:7 209:7 210:7 214:10, 18 215:1,3,9,
propose 82:4 126:2 183:19 190:5,8	provided 20:17 35:10 52:25 60:5 121:10 127:12 143:23 154:19 173:6 176:6 179:22 180:3 184:18 185:11 186:5 187:6 188:14 215:13,24 216:2 217:2 232:1	punitive 60:23 112:24 119:11	puts 189:15	
proposed 18:2, 16 24:7 28:18 31:24 53:17 65:25 66:11 93:16 102:15 103:24 104:14 126:2 127:22 141:7 165:20 170:14,21 173:16 186:12 195:11 198:1 200:2,6 207:7 215:5,9,19 216:2 218:7,18 222:4,18 223:1,6 224:22,24 225:15 226:7 231:23	provision 25:4, 7 107:7 143:20 146:24 147:14 187:6 192:11	purchase 31:22 32:5,8 33:3 153:24 164:13,14 218:15	putting 27:4	
proposes 21:15 217:23 225:14	provisions 25:11 77:5 147:2,7 148:11 171:23 179:19	purchased 26:9,19 31:16 153:19,22 155:20,22 157:14,16 158:1,4	puzzled 97:5	
proposing 34:12 55:11 72:8 78:13 81:12 85:19 117:24 119:18 146:22 151:24 195:22	public 7:7 8:4 9:12 13:22 24:17 87:11 103:24 127:12 167:12 194:19, 21 225:1 229:3,4,10 236:7	purchases 115:10 153:6	Q	
proprietary 191:24		purchasing 224:3	QC 17:13,14 23:23 37:9 43:25 64:21 101:5 177:22 202:2	
provide 27:20 45:17 51:8,23 52:21 59:3,5,8 79:21 103:11 104:13 106:24,		purpose 38:2 46:18 53:2 77:15 112:20 125:15 224:10	qualify 235:3	
		purposes 20:19,21 28:3 52:11 76:18,23 84:17 93:11 97:15,21 98:9 112:16 115:9 119:19 147:1 148:10 152:21 163:8 201:24	quantity 105:19	
		pursuant 28:2	Questar 7:4,22 9:12 16:4,9,13, 16 18:7 19:12, 14,25 20:3,15, 22 23:10 25:13,24 26:2, 6,9,18 27:1 28:14 29:11 30:23 31:7,12, 13 33:10 34:14,22 36:12,13,18,21 37:2,3,5,15,18, 19 38:12,17, 19,20 39:6,13 40:10,25 42:1, 15 43:4 44:4,6, 8,9,13,14,21, 24 45:2,9,10, 11,15,16,20, 22,23 46:3,10, 12,16,23	
		pursue 28:23		
		pushed 108:21		
		put 10:23 26:12 40:5 43:6 65:23 89:18 95:11 98:14,16		

13,15,24 216:10 218:9, 11,13,17 223:6,15,23 224:17,24 226:21 Questar's 39:8 189:19 194:25 221:17 222:3 Questar-based 194:10 Questar.com 25:12 question 9:16 37:11 50:25 51:6 53:8,12 54:6,15 84:16 85:11 87:7 92:5,7 93:1,25 108:15 109:5 111:6,20 112:5,7 128:19 133:19 147:21 156:7,21 160:15,20 162:8 163:1,10 165:18 170:12 173:14 194:18 202:22,25 227:13,24 234:25 238:5,6 questioning 25:6 70:14 71:4 79:24 87:1 questions 16:24 25:3 31:2 36:1 41:10 60:22 81:9 83:11,14, 17 84:7 87:15, 23 90:6 91:16,	24 94:23 105:11 128:10, 12,15,19,21,24 130:20 133:10 137:23 138:1, 3,5,11 140:6 165:3,5,7,14 168:8 174:19, 22 175:21 178:24 179:1,5 180:12 183:15 190:15,17 193:24 196:7 201:19 202:18 208:18 209:20, 24 211:2,14,19 218:25 219:2, 4,7 227:4 228:20,22 233:4,5,7 235:18,23,25 239:21 Questline 79:5, 11,22 quick 175:21 quickly 12:13 158:4 189:8,10 quit 123:11 quote 176:15 178:18 194:9 <hr/> R <hr/> racing 80:1 raise 33:14 236:10 raised 13:3,4,7 21:6 22:6,25 176:8 219:18 236:18	range 54:5 rare 117:21 150:6,8,9 203:12,14 221:22 rata 81:25 144:15 187:11 rate 19:17 20:10,21 21:13,16,21 23:1,4,5 24:18 28:20 31:25 34:10 55:16, 18,21 56:3 57:2 58:10 59:13,14 60:20 61:12 64:1,16, 23 65:7,9,21 66:6 67:14,21 68:4 72:6 73:23 74:1 77:12,15 82:21 83:3,5 85:4 89:19 90:22 91:1 103:25 104:16 126:2 136:15 137:11 153:18 162:19 165:20 170:13, 20 173:16,17, 20 176:12,17, 19 177:6 191:19,22,25 207:9,13 222:18 228:13 rate's 90:3 ratemaking 163:18,19,21 164:2,9,11,17, 24 rates 20:9 21:15 71:19	232:17 rattled 120:3 re-cross 87:3 reach 56:15 189:14,19,22 203:12 reached 107:20 read 27:24 29:9 33:21 51:13,14,16 52:9,14,15 53:4 78:13 96:10,14 106:21 108:9 112:6 131:8, 11,13,24 132:1,6,10,12, 14 133:2 137:14 144:9, 17,25 145:1 148:6,8,9 150:10 151:21 155:2 159:1 199:12 210:16 211:23 reading 78:20 151:20 reads 131:20 144:9 147:1 199:13 real 12:12 66:16 133:1 151:21 232:6 reality 67:25 77:20 189:15 realize 54:3,8 realized 53:25 realm 187:2	realtime 23:16, 17 24:4 43:11, 24 94:15 95:3, 7,19 132:4 171:3 214:24 215:11 218:10, 15 reason 89:23, 24 113:1,4 143:19 152:2 186:17 187:13 197:21 reasonable 24:16 59:14 115:2 175:23 176:4 177:5 217:13 223:2 reasoning 186:19 reasons 53:16 58:23 109:2 110:17 113:10, 13 130:11 184:13 rebuttal 11:12, 16,22,24 16:13 17:5 71:3 100:9,23 111:5 126:1 127:9 135:18 136:1 137:8,14 176:1 196:25 198:11 206:8 213:1 220:16 227:15 230:24 233:25 recall 13:9 27:10 28:9 78:20 80:11 110:7,9 130:1 142:6 157:22, 23 203:23
--	--	---	--	--

receipt 117:10 211:25 212:2, 3,4	recommended 104:3 226:14	RECROSS- EXAMINATION 90:12	referring 61:22 111:19 125:2 132:20 147:10 177:17	reject 186:11
receive 51:7 94:11,13 95:1 133:13	recommending 137:17	redirect 83:18, 19,23 180:9,10 189:8 193:21 202:14,15,16 211:3,4 228:17 235:19	refine 106:11 172:22	rejected 222:14 223:2
received 10:18 21:19 185:17	recommends 225:17		refinement 191:7	relate 131:4
receives 94:6 133:24,25	reconcile 74:16		reflect 21:13 83:25 186:3	related 214:16 216:7
receiving 129:14	reconvene 80:16	reduce 18:17 33:9 82:20,21 105:18 122:5 129:21	reflected 87:16	relating 136:11 172:23 214:3
recent 86:4 101:25 216:21, 22	record 7:17 12:21 16:2 22:16 52:10 58:25 59:8 60:9,12 63:23 70:8,21,22 78:15 80:10,20 81:5 83:25 97:8,10,16,17, 20 98:5,7,8 100:2 106:21 111:13 135:13 138:24 139:12 148:1 167:10 199:1 204:11 229:19 237:20	reduced 19:23 129:19,20	reflects 185:18	relative 123:14 202:23
recently 75:7 109:22 110:2		reduces 18:19 70:4,6 71:11	refusal 86:23	release 156:11
recess 81:3 138:21,23 204:8,9 229:16,18 236:7 239:19, 21		reducing 102:17 122:18	regard 26:1 238:11	relevance 63:12 121:19, 21
recognize 12:1 13:3 67:19,24 79:1,2	record's 60:3 72:14	reduction 224:16	regime 226:9	relevant 189:16
recognizes 224:12	records 197:21	refer 26:23 81:18 82:3 142:5 152:9 177:14	regular 11:11, 14 30:22	reliability 45:5
recognizing 54:16 150:5	recoup 177:22 178:7,20	reference 93:2 111:11 112:21 178:3,16 216:12	regularly 53:1	reliance 176:21,22
recommend 222:13,17 226:10 231:25	recover 186:21	referenced 71:25 80:8 129:5 176:9	regulatory 16:7 20:20 22:15 34:18 73:14	relied 54:19 176:6
recommendati on 127:14 137:9 172:9 174:4 222:24 225:3	recovered 225:18	references 180:19	reimbursed 52:7 202:3,8	relief 17:17
	recovery 165:22	referencing 111:23	reimbursement 21:9 28:1 32:4 70:3 194:9 195:2,20 201:24 223:6	rely 10:8,12 19:5 48:14
	recross 211:15	referred 125:10 149:1	reimburses 202:2,5	relying 54:25 55:7 80:21
			reiterate 87:21 239:8	remainder 185:11 193:4
				remaining 170:2 173:14 181:24 190:7
				remedied 20:23 44:17 84:25
				remedy 18:8 19:15 26:10

<p>31:14 45:7 47:18 84:13 136:18 171:22 188:18</p> <p>remember 62:17,18,19,23 76:1,7 89:21 90:20 126:5 129:10 163:3 198:22</p> <p>remind 78:17 90:19</p> <p>reminded 7:16</p> <p>removed 223:7</p> <p>renting 56:17</p> <p>repay 186:7</p> <p>replace 189:8</p> <p>report 173:6 239:24</p> <p>reporter 7:15 80:21 237:15</p> <p>reports 186:5 215:4</p> <p>represent 36:25 143:21 151:18 157:24 169:25 170:3 185:5 197:4 220:23</p> <p>representation 144:19 194:5</p> <p>representative 182:22 206:5</p> <p>representing 182:23</p> <p>represents 21:11 169:17</p>	<p>194:25 218:3 222:5</p> <p>reps 234:13</p> <p>repute 12:6</p> <p>request 8:21 33:21 75:3,4,8 80:9,12,13 87:2 153:13 154:20 236:10, 12 239:3</p> <p>requested 8:16 84:8</p> <p>requesting 120:10</p> <p>requests 102:1</p> <p>require 171:12 226:12</p> <p>required 20:7 22:19 59:5 111:24 117:25 118:6 156:18 173:18 214:10 215:11,16</p> <p>requirement 58:11 65:7,21 66:6 67:13 72:1 102:21 126:16 142:13 146:9 148:23 171:5 175:24 178:8 184:19, 21 186:14,16 215:10 219:19 222:6</p> <p>requirements 28:2 61:5 103:16 148:18 155:8,10,21 156:20 158:23 160:23 161:1</p>	<p>162:1 216:3 225:8,12 226:4 227:25</p> <p>requires 110:19 130:25 132:5 170:25 189:14 210:23 215:9 221:21, 22 227:19</p> <p>requiring 103:2 107:7</p> <p>reserve 96:3 155:5 156:24 160:22 161:25 162:11,16</p> <p>reserves 155:7,14 160:25 162:6</p> <p>residential 161:9</p> <p>resolution 136:12 228:2</p> <p>resolve 22:21</p> <p>respect 13:24 14:10 70:25 92:8 93:3 204:13 225:10, 21</p> <p>respectfully 24:14 87:2</p> <p>respond 12:12 70:15,16 115:19 116:10, 13 126:12,14 127:6 189:17</p> <p>responded 127:16 141:2</p> <p>responding 80:5,7 141:5</p>	<p>responds 184:12</p> <p>response 10:18,19 11:19 15:12 33:16 36:8 60:7 111:6 127:11, 13 128:3 138:20 143:24 145:8 153:14 154:19 168:18 189:21 202:24 224:25</p> <p>responses 9:11 16:25</p> <p>responsibilities 103:19</p> <p>responsibility 53:23 103:5 214:7 218:10, 16 234:17,20, 21</p> <p>responsible 161:24 162:4</p> <p>responsive 11:20 173:21</p> <p>rest 43:21 96:3 131:23 147:17</p> <p>restate 98:2 202:5</p> <p>restrict 46:4 101:19 109:20 115:1 122:23 172:11 214:13</p> <p>restricted 109:3,18 115:21</p> <p>restricting 116:11</p>	<p>restriction 27:5 29:4,22, 23 75:1 104:7 110:22 126:22 130:1 144:22 150:21,22 151:24 179:21 180:6 211:10 214:17 216:4 217:21,24 218:3 219:19 222:1</p> <p>restrictions 29:12 33:19,24 37:22 49:10 102:22 104:4 107:1 115:1,12 124:8 127:14, 17 130:9 150:16 172:5 174:6 187:17, 18 188:17,20, 23 214:15 218:19</p> <p>restrictive 61:4 77:2 119:10 207:15 210:12, 13</p> <p>result 12:7 18:16,19,23 23:5 24:10 27:17 28:13 51:22 52:18 102:3,4 158:22 207:20 217:4,8 218:7 223:9 226:14</p> <p>results 224:16, 20 232:13</p> <p>resumé 143:1</p> <p>retail 223:9</p>
--	---	--	--	---

retroactive 163:18,19,21 164:2,9,11,17, 24	route 128:3 routinely 216:6 rule 9:17 151:7 rules 9:19,23 run 41:2 95:12 237:12 238:12 Ryan 182:19	schedule 22:12 132:17 150:6 171:1 scheduled 105:19 schedules 148:24 scheduling 11:12,14,18 14:14,24 22:10 scheme 215:19 Schmid 8:2 10:11,12 13:13 14:3 17:8,9 24:23,25 25:3, 9,15,22 30:13, 14,15 90:9,10 99:4 101:2 105:6,8 106:14,19 110:23 115:8 136:3 137:4,6, 22 140:13 141:22,23 166:3,4,18 167:6 168:14, 23 174:18 176:25 180:10 181:20,21 183:23 190:11, 18,20 193:23 204:3,19 205:6 206:21 208:7,9 209:20 213:14 218:24,25 221:4 227:3,4 229:15 231:12 233:6,7 237:7, 8,18,19 238:11 school 122:4 schools 87:8 90:15 91:9	123:11,16 Schwarzenbac h 7:25 26:23 29:7 32:24 33:15,22 36:5 50:25 77:8 81:19 82:3 86:6,7 92:8 93:13 94:2 95:25 96:4 99:16,17,21 100:13,24 101:8 105:2 111:3 134:21 143:11 190:24 193:1 201:4 208:12 216:12, 24 217:6,12,23 Schwarzenbac h's 94:8 196:15,25 218:11 Schwarzenbac k 58:21 100:3, 10 scope 86:15,16 seasons 116:22 seated 8:5 seconds 67:14 section 27:15 51:7,18,20 52:9 54:18 87:16 106:20 108:6 110:15, 19 165:19 171:25 199:6 210:8 217:25 secures 36:19 securing	161:24 seeking 17:18 169:3 186:7 seeks 17:21,25 186:20 select 161:13, 17,19 selectively 188:18 selects 161:18 self-evident 92:6 sell 209:11 send 22:4 198:11 sending 52:2 53:6 98:4 senior 206:4 sense 37:13 107:25 109:20 203:3 219:14 222:3 229:11 238:9 sentence 106:22,23 144:8 147:6 148:7 156:13 158:11 199:9 210:16,17 sentences 156:13 separately 134:9 serve 48:8 102:15 served 133:17
revenue 58:11 65:7,21 66:6 67:13 72:1 175:23 178:8 184:19,21 186:14 222:6 review 23:23 24:1 76:16 80:2 171:13 172:21 196:15 reviewed 75:6 167:20 Rex 8:7 233:15 ride 56:22 57:14 rights 36:25 216:11 Roger 8:16 229:24 230:12, 19 role 100:5 room 8:14 50:17 56:19 174:10 219:11 239:25 roughly 38:7, 11,17 64:23 65:2,5 123:17 round 38:7 rounded 96:20 rounding 65:12 rounds 96:18	S sale 68:22 sales 17:24 19:6,19,21 20:5 21:5,12 25:25 26:1,4,6, 7,11,16 31:14, 16 32:4,20 35:15 37:9 42:18 44:16,17 45:20 50:15 61:2 64:6 66:13 67:2,25 72:25 84:25 85:8 101:24 102:4 103:20 105:13,22 106:2 118:22 119:7,13 153:8,22 155:8 160:7 161:2 162:12 173:12 184:24 185:14 200:7,13 217:9 223:19 224:17 234:8 Salt 16:4 100:4 133:17 134:7 167:14 182:25 scenario 45:19 113:2			

service 7:7 20:1,3,8 25:25 32:5 38:21 44:25 49:17 51:3,4 59:1,3 61:2 72:12,19 73:15 74:2 78:2 87:20 88:1 91:12 105:14,22 133:13,25 137:18 149:2, 15,17 151:8 153:8 155:19 157:6,8,17 158:3,17 159:11 162:1 173:19 177:15, 24 179:12 181:11 185:2, 15,22 189:9 191:17 192:17 193:7 194:19 195:8,21,25 209:8 217:8 223:19 224:2, 18 232:18 234:8 services 7:6 8:8 9:10 13:21 17:23 18:3,9, 20,24 19:23 20:25 21:2 23:6 24:11 26:9,20 28:5 30:2,4 31:9,10, 11,15,21,25 32:10,16,21 33:4,18,23 34:4,5,14 35:3, 4,10,13,15,16 36:13 38:20 40:18 41:13, 23,25 42:4,8, 17,19,20 43:15	44:5,12,24 45:15,17 46:16,20 47:18 48:8,19,22 49:4,18 50:10, 18 51:8 52:6 54:4,5,13 55:8 56:24 69:3 73:16 82:10 84:7,9 85:17, 20 86:19 87:19,22 89:3 104:1 105:15 118:7,11 124:20 125:5 139:19 140:21 153:5,6,19,21 154:3 155:15, 22 156:25 157:14 158:1 163:14 169:4, 14 170:6,9 172:17,20 173:10,18 175:25 176:12 177:24 181:9 184:15,19 186:2,6,18 191:18,23 192:8 193:20 212:23 215:3 233:16 234:12 235:3 set 22:12 29:19 48:12 103:14 108:4 129:12 227:20 228:11 229:3 settlement 61:15,23 62:5 74:3 severe 115:13 188:13,21	share 177:23 shift 14:24 214:5 shippers 111:24 Shoot 147:15 short 33:6 66:13 114:13 203:21 shortcuts 232:12 show 71:16 123:12 192:24 showed 151:22 178:9 194:13 showing 71:15 232:1 shown 231:22 shows 23:24 37:21,23 86:22 101:21 106:8 113:17 179:22 197:1 showup 85:23 shut 86:4,12, 22 87:12 208:25 shutdowns 129:15 shutting 85:25 90:15 sic 9:3 side 20:22 113:23 125:21 131:7 sided 147:19	sides 186:24 219:18 sidestep 103:19 sign 79:9 signal 22:5 89:25 signs 81:17 similar 13:18 simple 81:22 simplicity 226:2 simplify 36:16 simplistic 36:12 simply 9:25 12:7 70:23 112:15 188:22 single 48:11 55:12,14 57:22 192:16 232:15 singularly 222:4 sir 11:12 sit 41:9 site 25:12 98:15 132:1 143:22,24 150:9,11 237:13 sitting 8:10 situation 29:18,20 33:11 50:5 105:21 116:4 117:2,3 126:14 157:5	159:8 162:5 situations 116:25 117:7 size 104:22 slightly 35:7 63:9 158:11 slowly 7:17 small 104:22 123:16,19,22 126:18 127:2 161:2 169:16, 20 224:14 smaller 59:24 108:16 109:7,8 170:20 234:5 smoother 117:17 smoothly 117:14 SNG 170:5 so-called 216:9 socialized 103:25 104:16 128:8 226:6,8, 14 socializing 225:20,24 solicited 234:18 solution 24:2 211:24 solutions 85:18 173:4 solve 22:9 116:10 123:24
--	--	--	---	---

Someone's 124:1	142:8 162:21	156:9 159:17 182:1 205:17 221:22	static 131:24 132:25	18,24 186:6 193:19 195:14, 24 209:4 224:1,16
sooner 130:9	specifically 9:20 12:15 80:11 131:19	started 61:19 110:18 129:14 130:4,5	stating 102:20	stores 87:8 90:15
sophisticated 95:10 233:23	142:6 153:20 154:4 158:14 162:6 239:16	starting 107:19	station 117:11 134:3	Strategies 212:23 220:11
sophistication 181:12 235:2	specifics 75:21	state 8:24 11:19 16:1,4 100:1,4 135:12 137:8 139:11 164:22 167:9 194:9 198:9 199:25 206:1 210:14 212:20 220:8	stations 133:18 134:12	stream 80:19
sort 20:13 157:8 227:12	speculate 123:8	stated 10:13 12:14 170:23 174:4 186:16 187:13 216:24 217:6 218:4	statute 9:24 53:4	streaming 80:22
sound 33:20 51:25	spell 182:18	statement 27:20 34:2,9 35:11 41:17 51:24 52:21 112:20 114:20, 22 115:6 142:9,15 153:10 163:6 175:4 176:17 178:17 236:14, 20 239:1	statutes 9:19	Street 16:4 100:4
sounds 52:5	spelled 139:14	statements 52:2,25 53:6 174:15 216:10 236:11,21	stay 83:1 91:25 121:2,7 159:24	strike 12:23 86:2 174:10
sourced 196:4, 5	spend 144:2	states 10:20 75:13 103:7 108:9 118:8 124:17 163:17 221:20	stays 228:12	strikes 138:15
south 16:4 134:5,11 167:14 182:25	spending 231:24		step 44:14 55:9 89:10	stringent 225:7,12
Southern 212:5	spent 151:20		steps 89:21	strong 123:23, 25
Southwest 75:10,12,18 142:25 143:2, 6,8,12,16,20 144:20,22	sponsor 222:19		stiff 91:2	strongly 217:19
space 23:13 87:9	sporadic 30:24		stipulation 90:16 176:10, 16,18 177:7, 11,12,14,18,20 178:11,13	structure 185:10,18 186:13 195:12
speak 7:16 77:13 230:3	St 134:6		stop 116:19	stuff 120:3 131:12
speaking 7:24 52:12 94:15 201:5	staff 8:18		storage 18:8 20:25 26:19 31:11 36:25 38:22 44:18 47:18 50:10 54:22 55:5,7 56:8 68:9 73:25 74:10 84:24 85:7 87:25 88:7,8, 11 102:11,18 105:14 115:10 162:12 177:15, 24 178:8,20 184:23 185:14,	subject 25:10 26:24 36:1 76:2,7 79:7 85:21 130:17 146:8,20 183:24 190:5 224:11 225:7 226:8
speaks 10:4	stand 41:12 91:25			subjecting 225:11
special 118:13 215:1 218:13	standard 111:25 124:12, 15			
specialty 224:2	standby 162:1, 7			
specific 78:19	standpoint 219:13			
	start 7:19 9:15 14:20 28:4 36:15 54:12 82:15 107:22 124:8 129:8 130:8,9 146:5			

submit 10:19 234:16	suite 73:15 222:21	Supplier-non- gas 7:6	supposed 12:3 110:13 122:24	230:9
submitted 8:9 9:14 10:9 100:13 140:10	summarize 17:17 101:9 184:10 224:25	suppliers 76:12 158:13, 25 164:13 188:2,7,9 189:11,14 214:6,22 215:20 216:7 222:1 225:25 226:20 227:24	supposition 160:15	Swenson 8:16 14:21 20:11 182:4 229:6, 10,24 230:1,5, 8,12,17,19,22 231:18 233:1, 12 236:1
subsidized 21:5	summarized 24:12	supplies 101:24 104:24 189:8 195:12, 22 214:3 222:13	Supreme 164:23	
subsidy 85:10	summary 22:7 105:1 136:8, 10,22 140:18, 19 141:16 168:12 173:6,8 174:8 179:6,15 190:1,5 207:3 208:2 210:11 213:22 218:20 221:13 226:23 227:9 231:19 232:25	supply 22:1 26:14 29:10 46:4 51:1 53:22,24 100:5 104:19 109:3 126:15 129:11, 12,16,19,20,22 156:1 184:25 185:13,15,17, 22 188:7,14 189:7,12 192:15,18 193:10,11,16, 21 194:15 195:4,5,7,8,15 209:10 216:14, 15,17,18,19	surplus 38:4	
substantial 20:15			surprise 76:20, 24 125:13,20, 23,24 143:10, 11,17 201:13, 17 229:9	Swenson's 233:2
subtract 39:6 43:5,20			surprised 142:2	sworn 15:22 99:22 135:8 139:7 166:6 167:3 182:13 205:22 206:14 212:16 220:4 230:13
subtracted 39:18			surrebuttal 11:16,21,24 13:7 16:17 17:5 71:3 96:10 100:12, 24 111:12 112:4 137:21 139:24 162:24 165:20 168:1 174:11,13 176:1,15 177:19 183:9, 20 198:12 199:20 206:9 211:23 213:2 216:8 220:17 230:25 233:17	
subtraction 39:7				synthesize 236:16
success 214:20	Summit 9:3 182:1,23,24 183:6 189:24 190:22 191:3, 5,7,10,17 192:4,14 193:9 197:24			system 17:23 20:12,16,18 23:10 26:15 27:19 32:15,23 33:2 36:13,16 37:18 38:4 39:16 40:1 44:7,23 45:5,9, 16 50:11 52:20 66:18 68:24 72:13 76:14 84:3,5 85:13, 16 96:17,25 101:18 103:14 104:18,24 105:12 107:4 108:4,21 109:15,17 113:15,19 114:3,4,6,9 115:9,10 116:8 117:9,10 122:11,15 127:25 129:16,
suffer 68:21	Summit's 192:12 197:5, 23 198:3			
sufficient 104:20 118:19 155:7 160:25	supplied 157:24	support 172:20 187:13 217:3		
suggest 51:4 178:19 234:7 237:11	supplier 76:13 161:7,12,14, 18,19 169:4 172:22 188:3 189:23 191:20 217:11,15,20	supported 18:12 157:11		
suggested 89:17 159:4 214:10 217:22	supplier-by- supplier 187:20	supporting 175:5,6 184:13 186:17		
suggesting 233:22 234:4 235:5		supports 9:17 189:24	surrounding 169:9	
suggestion 96:15 215:15 218:6 225:6			suspect 138:16	
suggests 96:11 218:14			swear 15:17 99:18 135:4 139:3 166:23 182:8 205:18 212:11 219:24	

22 133:16 158:19 169:5, 18 170:9 171:11 189:9 192:15 193:4 212:5 215:13 224:13 232:8, 10 235:13 system's 48:12 system-wide 172:6 187:18 systemic 187:9 systemically 188:19 systems 133:17 134:9 <hr/> T <hr/> T-1 37:7 48:4, 21 T-2 37:7 38:9 48:5 table 14:15 15:5 72:15 197:1 tailoring 91:11 take-or-pay 164:18 takes 50:6,8 185:7 taking 55:9 195:24 222:20 232:3,7 talents 35:22 talk 11:8 35:2 36:13 42:6 43:3 51:9	54:22 55:7 60:19 62:10 63:8 65:12 72:11 88:12 115:4,7 123:1 176:15 talked 25:23 28:17 30:6 77:8 88:14 123:13 126:1 128:20 152:23 talking 26:4 27:4 30:25 31:4 35:9 36:11 39:23 40:8,17 41:2 44:8,19,24 45:14 50:4 54:9 58:10 62:2 63:5 64:2 69:2,10 72:23 85:25 89:19 92:14,15,16,17 98:25 116:15 123:10 124:18 125:22 143:5 160:12 191:25 talks 54:19 tariff 7:5 24:9 25:4,7,11 29:10 45:3 48:2 51:3,6,9 77:5 87:16 91:2,4 103:7, 11 104:15 118:8 119:15 122:21 124:17 126:3 143:6,8, 18 144:4,20 146:1,4,24 148:7,16,20 152:25 171:24, 25 172:4,10	174:5 179:16, 19 187:19 192:9,10 199:6,17 200:2 207:22 210:7, 22 211:7 214:12 215:24 216:4,12 217:22,25 218:3 tariff's 50:23 143:20 tariffs 75:6 76:16 125:9 144:1 146:15 151:21 task 136:14,20 137:12 172:21 225:4 tasks 214:19 TC 88:20 technical 167:13 185:19 technology 218:15 telemetering 215:2 telephone 229:20,24 telephonically 8:18 telling 38:18 62:17,19 235:11 tells 47:10 119:16 temperature 131:4	ten 29:16 38:25 39:4,5,6,9,17, 18,24,25 66:19 89:7,9 94:10, 14 95:16 96:12,20 113:3 125:16 130:17 159:4,6 169:23 237:3 ten-minute 204:7 ten-percent 125:17 ten-unit 39:1 tenth 113:5 term 102:12 128:8 147:2 148:11 terms 14:6 15:4 29:5 35:3 57:19 61:5 77:5 83:24,25 93:13 110:2 113:7 124:23 125:3 142:12 162:7 177:7 235:12 236:23 test 57:23 58:15 64:12 65:16 88:23 103:23 108:19 185:6,8 186:10 232:4 testified 15:23 35:3 78:6,10 79:24 80:10 86:3 99:23 113:19 135:9 139:8 143:1 148:22 149:9 153:4,12 154:2	156:24 157:2, 20 162:10 163:17 167:4 179:23 182:14 196:12 201:22 205:23 210:11 212:17 220:5 230:14 testify 8:15,17, 22 71:21 80:2 120:22 154:8 testifying 211:11 230:18, 20 testimonies 141:4 168:9 testimony 7:25 8:9 11:19,20, 25 12:23 16:9, 10,14,17,25 17:6,17 18:6, 12 41:12 60:8 65:8 67:16 70:11 71:1,12 72:15 78:13, 15,18 80:5 83:23 93:2,3 98:6 100:8,9, 12,20,24 101:9,10 110:5 123:21 126:1 127:4,9 135:18,22 136:1,10 137:8 139:18,21,22, 24 140:3,19,20 141:3 142:5 150:10 154:2, 19,20,24 155:2 156:4 157:11 158:9 159:7,24 160:16,19 165:20 167:21,
---	--	---	--	--

25 168:1 174:11,13,16 175:8 176:9 178:19 183:9, 20 184:10,12 185:12 186:19, 25 187:25 194:8 196:15 197:1 198:4,8, 11,18 199:20 203:24 204:8 206:7,8,9,12, 14 207:3,6 212:8 213:2,5, 7,8,22 214:1 216:8,10,23 217:16 218:11, 20 220:15,16, 17,21,23,24 221:13 227:16 230:24,25 231:3,5,6,19 232:25 233:17 234:1 236:4,17 Texas 158:14 Thad 7:8 theoretical 186:13 200:9 theoretically 43:4,8 185:10 theory 42:11 thereto 168:16 thing 12:6 74:7 115:25 118:25 119:1 123:10 131:20 144:5 146:2 239:12 things 12:8 43:15 49:18 93:8 98:16 110:3 178:12	181:6 232:19 thinking 239:23 thinks 237:2 239:2 thought 54:4 59:7 61:18 63:17 80:18 130:10 175:2 188:20 237:3 thoughts 13:25 three-unit 39:14 threshold 222:8 thrilled 7:11 thrown 127:9 tighter 108:11 time 7:3 8:19 12:2 14:9 28:7 29:10 52:6 59:23,24 73:18 82:22 94:24 95:13,15 97:9 103:23 109:2 117:13 125:7 129:10 132:15, 18 133:23 135:2,22 138:13,17 144:2 179:25 189:6,15,21 191:16 196:3 197:18,20 203:21 209:17 215:5,7 216:14 219:16 223:1 226:1 229:4 231:24 232:4 235:6 237:4,12	238:2,11,17 timeframe 236:23 times 8:22 106:9 108:17 109:13 116:15, 20,22 122:16 130:14,16 133:4 232:23 tiny 36:4 tips 37:6 title 106:22 107:16 167:10 today 7:18,24 8:5,9 9:3 14:17 16:25 69:14 80:4 115:8 119:4 139:17 160:16 168:9 179:6,15,24 183:16 199:8 206:15 210:9, 11 211:8 216:23 230:20 236:16,18 today's 10:23 119:15 told 62:25 90:16 122:16 tolerance 21:2, 17,18 24:7,8,9 26:2,13 27:2 29:13,24 40:24 44:15,20 46:3, 11,12,25 47:8, 21 49:1,9 57:19 58:13 61:19 62:20 72:5 76:5 85:2, 3 92:8,23	96:12,21 103:10,13,22 108:16 109:6, 11,13 110:20 118:9,12 121:2,7 125:17,18 146:9 149:18, 21 151:9 152:4 159:4 160:1 172:2,4,13 180:7 185:9 186:24 187:2,4 198:13 199:15, 18 207:15,16 210:20 211:8 214:24 224:23 228:13 tolerances 83:2 158:16,18 215:5 tolerate 41:20 tomorrow 8:20,21 14:18 tonight 236:21 tools 179:16 209:12 214:20 top 142:13 146:22 147:5, 11,13,24 151:25 156:6 topics 227:17 total 39:20 43:20 64:11,13 65:4 76:13 89:4 90:1 103:21 113:8, 20 114:12 115:23 123:15 169:17,24 170:3 224:7	touch 189:16 203:7 trade 27:13 traded 188:23, 24 189:2 tradeoffs 127:23 trading 104:8 183:6 216:6 217:24 219:14 traditional 34:8 trail 194:20 train 233:22 training 234:17 Transcontinent al 158:15 transcript 237:10,12,16 238:2 transcription 158:17 transfer 69:5 transmission 105:18 158:14 transparency 188:1,13 transport 149:16 185:20 217:18 transportation 7:5 17:22 18:2, 7,8,17,23 19:1, 2,5,6,11,15,19, 21,22 20:1,4,5, 7,24 21:4 22:1 23:3,7,10 24:15,16 25:24
---	---	---	---	---

26:5,13,19 27:2,17,23 28:10 29:24 31:5,10,11,19, 22 32:1,6,8,10, 14,18 33:1,17, 24 34:3,4,12, 23 35:5,16 36:17,18 37:16 38:3,21 39:15 42:9 44:18,19 47:8,18,22 48:12 49:15 51:22 52:18,24 54:19 55:1,12, 15,22 56:1,7, 21 57:21,25 58:12,20 59:1, 18 60:24 61:1, 6,11 64:4,7,11, 13 65:16 66:12 67:19,25 68:8, 9,10,12,13,15, 17,24 69:1,8, 19,20,22,24 70:2 72:6,8,25 73:4,24 74:9 75:2 77:21 79:8 82:8 84:18,24 85:7, 9 86:11,18 87:20,25 88:1, 4,5,10,24 89:8 90:2 91:4 94:4 101:11 102:2, 5,9,25 103:5, 21 104:1,21 105:15 109:23 123:15 127:24 129:13,18 130:23 133:15 137:18 140:23 147:3,9 148:13 149:2,4,7,14, 17,18 150:5	151:18 153:5, 7,20 154:5 155:9,11,12, 16,18 156:16 157:9,15 158:2,23 159:20 160:6,9 161:2,6,9,23 162:2,4,12,13, 16,22 163:5 169:3,10,14,15 170:1,6,8,11, 13 172:17,19, 24 173:9,19 175:24 176:11 177:16 178:4, 10,21,22 179:8 181:7,9 184:14,16,20, 22 185:1,15, 22,25 186:7, 18,22 187:1,14 188:2,5 189:11,20,22 191:16 192:5,7 195:6,21 200:4 201:6 202:2,6 207:10 208:21 209:5 214:2, 14,19,22,25 215:8,13,16 216:20,24 217:4,7 218:12 221:18,21 222:7,9,16,25 223:5,10,11, 12,13,14,15, 17,18,22,24 224:1,2,3,4,6, 7,12,17,19,21 225:6,19 226:5,15 227:12 232:21 234:11	transportations 102:14 transported 185:17 195:13 transporter 147:2,8 148:11 transporting 56:19 185:21 treated 89:1 treats 84:18 trending 192:18 triggered 29:2 trouble 111:8 115:5 238:17 true 28:13 41:18 57:19 88:7 105:25 153:2,17 178:23 187:10 194:18 195:10 197:22 216:15 true-up 189:4 trued 40:16 trust 76:25 truth 15:18 99:18 135:4 139:4 166:24 182:9 205:19 212:12 219:25 230:9 TS 49:3,5,11 56:18 84:7,11 106:7,10 111:21 113:8 185:5 190:25 191:19 233:23 234:8	turn 15:2 27:14 72:14 87:12,17 106:20 112:4 154:21 155:1 156:3,6 158:9 162:24 turning 64:22 199:20 233:13 turns 34:7 209:16 twelve 95:18 two-percent 125:18 149:18 two-unit 38:5 type 34:9 49:25 108:23 131:24 types 23:9 94:4 typical 34:10 49:24 133:12 162:20 typically 10:1 73:22 82:9 125:15 132:22 154:3 238:23 <hr/> U <hr/> U-g-i 158:6 UA 79:1 UAE 8:12 71:24 78:23 89:16 145:3,10 146:5,6 154:14,17 166:22 204:22 212:10 213:11 UAE'S 65:23 204:14	uae/nucor/cima 212:25 213:18 220:14 221:9 UGI 158:6,7,8, 19,24 159:13 UGI'S 158:13, 23 UGO 56:22 ultimately 32:25 39:24 60:11 unable 150:19 unclear 173:25 207:12 underlying 88:5 160:15 understand 21:22 30:25 33:14 36:10 38:18 39:3,22 49:3 53:19 55:6 59:25 60:13,21 61:16 63:23,25 70:1, 18 71:9,20 81:11 82:12, 14,23 86:12 92:9 98:7 112:13,18 124:11,13 125:8 126:7 129:3 130:23, 24 131:1 137:16,20 143:6 157:10 164:5 192:2,3 212:1 231:23 239:4 understanding 33:13 47:24
--	--	---	---	---

99:2 148:14 164:3 200:5, 12,24 229:2 understood 12:2 57:18 112:19 175:5 undertake 10:1 undertaken 9:25 unduly 102:21 103:4 225:12 unfairly 200:4 unique 142:19 221:20 unit 38:10 40:20 55:20 131:11 132:24 194:20 United 75:13 221:20 units 37:13,16, 19 38:13 39:25 69:15 unlike 224:1 unnecessary 9:18 unpredictable 102:7 unrealistic 198:14 unreasonable 163:16 176:3 223:16,20 unreasonably 222:10 unsuccessful 136:15	unusual 11:14 142:14,18 upstream 17:22 18:7,25 19:6,11,14,23 20:3,24 24:10 26:19 27:19 31:7,8,13,21 32:9,16,20 33:18 34:4 36:20 40:17 41:25 44:9,24 46:16 47:12 48:8 50:9 51:8, 23 52:20 55:5 75:24 84:23 87:24 103:9 104:25 107:5 108:24 110:2 153:6,19 154:3 155:15 156:11, 25 157:14 159:3 185:10 199:15 210:20 223:12 urge 217:19 usage 23:16 33:6 43:14 69:23 94:11,13 101:12,19 102:1,8 104:12,24 105:18 110:7 113:6 115:20, 24 116:11 122:5 129:21 130:24 131:3 132:7,9 140:25 163:20 164:19, 20 169:8,21 171:11,14,16, 21 173:23 178:1,2 184:17 185:5,16	186:15 187:15 192:13 207:21 223:13 224:6 232:8 234:23 Utah 8:25 16:5 100:5 142:3 162:5 164:22, 23 182:25 210:7 212:5 222:12 utilities 8:4 9:12 13:22 32:8,11 73:16 74:25 77:6,9 103:24 118:15 125:10 127:13 141:10 142:14 144:1 145:16 153:3 156:5 158:8 163:4 164:15 167:12 226:21 utility 35:11 75:13 76:20 77:2 81:16 118:13 120:11 135:16 142:8 144:11,14 145:2,13,15 148:22 150:20 152:17 156:24 159:9,17 160:4,8,12 180:20 187:4 193:22 195:7 196:5 222:2 225:1 utility's 151:24 utilize 98:4 103:17 104:3 171:23 172:16 191:7	utilized 172:10 174:5 179:16 199:7 223:23 234:14 utilizes 106:11 utilizing 217:7 <hr/> V <hr/> vacation 237:21 variable 232:15 variation 178:1 varying 181:11 Vectren 76:3 145:14,16,17, 20,22,25 146:4,8,12,14 147:8 148:14 Vectren's 145:19 Vegas 75:16 vendors 215:18 verbal 15:12 36:8 138:20 145:8 168:18 verify 63:22 versa 66:13 version 56:4 versus 21:7 56:10 92:22 93:3 133:24 vice 66:13 view 22:14	35:12 41:11 49:23 97:19 142:7 201:22 239:2 Viewer 94:7 95:25 131:10, 13,14,16,18,22 132:8,12 virtually 163:6 voices 146:17 volume 19:22 36:21 55:19 109:24 113:6 116:3 131:12 169:16,18,24 170:1,3,8,18 171:7 215:5 225:23 volumes 19:19,20 20:5 21:4,17 23:4 89:1 103:9 123:15 134:8 140:24 142:16, 17 149:16 151:9 152:6,8 169:18 199:14 200:25 201:24 210:19 217:8 226:16 volumetric 32:3 55:18,21 56:3,4 64:1 68:4 141:14 170:13,19 173:15 225:18 <hr/> W <hr/> WACOG 21:12 194:24 202:9 232:24
---	---	--	--	--

wait 107:18	wellhead 110:3	138:4,5 165:6, 7 179:2,4 180:8 181:23 182:6,7,16 183:19 184:9 190:2 202:13, 15 208:7 218:23 233:5 239:11,12	49:7 52:12 82:25 90:25 113:21 125:16 131:2 147:7 155:23 157:2	worth 42:13 50:2 57:9 238:17
wake-up 130:7	West 182:25			
walk 56:22 57:11 125:25 142:23	western 75:13			wow 69:9
walked 115:8	Wexpro 179:13 194:20 195:16		work 16:3 36:6 53:20 68:21,23 69:15 80:7 81:13 88:6,8 109:9 115:19 193:3 206:2,3 212:21 220:9 230:19 234:24	write 11:1 37:10
wanted 37:11 56:24 80:24 83:10 84:9 94:16 203:22	Wheelwright 8:5 123:13 147:18 166:5, 23 167:2,11 174:9,18,23 175:3,19 180:16 181:18 225:2,14,16 226:7	wind 113:2		writing 198:22
warm 117:5		window 103:10,22 109:6 118:12 172:2 199:16, 18 210:21	worked 46:17	written 12:14, 18,23 50:23 78:17 86:20
warn 119:14		wires 95:11,12	workgroup 22:8 28:24 63:13 175:7,9 181:3	wrong 144:9 147:15,18,25 235:13
warning 118:23	Wheelwright's 123:20 137:21 225:3,5	withdraw 53:10,14,15		wrote 78:22
warrant 80:16		withdrawal 200:16,25	workgroups 136:11 181:5	Wyoming 212:6
warranted 136:18 224:9	White 7:9,10 92:2,4 93:20 128:23,24 138:7,8 165:11,12 180:11,12 202:17,18 211:16,17 216:15 219:6 228:19,20 235:22 239:20	withdraws 200:23	working 21:19 30:6 61:13 62:3 69:6 109:1 172:21, 25 173:5 189:25	
Wasatch 212:5		withdrew 185:23 201:9	works 50:7 53:19 77:17 81:15 93:15 96:17 193:4	ye 69:13
ways 32:22 173:2	wiggle 50:17	witness's 98:6	workshop 141:6 207:19 222:19 227:10, 11,17,19,25	year 27:3 54:8 57:22 82:20 90:21 118:1 146:18 164:7 169:21,22 231:25
weather 23:18 108:22 171:3 192:19	wildly 113:22 124:4	witnesses 7:24 8:8,13,14,25 13:6 14:14 166:1 190:7 205:14 229:11		years 22:21 27:8 53:1,18, 21 54:7,10 101:13 117:3, 4,5 143:9 159:8,25 160:3 165:21 181:8 234:24
weather-sensitive 23:12,17	William 7:25 99:16,21 100:3,9,12	wold 60:2	world 60:1	yesterday 10:18,20,24
web 25:12 98:15 150:9,11 237:13	Williams 9:2,7 10:15,16,19 12:12 14:6 83:16,17 91:19,20 99:7, 8 128:13,14	wondering 180:25	worry 41:25 42:1 119:2 124:7 232:12	
week 191:4 196:13 237:3		word 11:21 129:14	worst 235:7,11	
weekly 23:25		wording 130:3		
weighted 21:8, 10 169:19 194:24 201:23		words 40:9 41:18 46:5		