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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

POST-HEARING COMMENTS AND BRIEF OF THE UTAH ASSOCIATION OF ENERGY USERS, CIMA ENERGY LTD, US MAGNESIUM, LLC AND NUCOR STEEL-UTAH

The Utah Association of Energy Users ("UAE"), CIMA Energy Ltd. ("CIMA"), US Magnesium, LLC ("US Mag") and Nucor Steel-Utah ("Nucor") (collectively, the "Commenting Parties") hereby submit their post-hearing comments and brief in this docket.

INTRODUCTION

For over two decades, QGC has imposed daily imbalance charges on transportation customers only when there is a specific need to restrict deliveries of gas for system operations.[1] There is no evidence that this industry-standard approach to daily imbalances has not worked well. QGC has nevertheless now proposed to impose unreasonable imbalance requirements. First, QGC seeks to enforce balancing restrictions on transportation customers each and every day of the year rather than just during periods of system constraint – a burdensome[2] requirement that is extremely rare among natural gas utilities in the United States.[3] Second, QGC proposes to measure daily imbalances solely at the individual customer level rather than providing transportation customers access to the industry-standard option[4] of hiring agents to manage gas balancing. Furthermore, QGC is asking transportation customers to take on this burden without providing adequate metering data to accomplish this incremental task. Based on the record in this docket, QGC's proposal appears not only unusual, but unique; no other combination of similar requirements is imposed on any other transportation customers in the country.[5] As observed by

[1] QGC Tariff, Section 5.09; https://www.questargas.com/Tariffs/uttariff.pdf
[2] E.g., DPU Exhibit 1.0D (Wheelwright), lines 173-185 & DPU Exhibit 1.0SR (Wheelwright), pg. 6.
[3] Based on the record in this docket, only three utilities have been identified that enforce daily imbalance requirements and impose charges on excess imbalances, Delmarva Power & Light (which imposes imbalance charges on all imbalances), Southwest Gas (which allows a 25% daily imbalance tolerance) and Vectren Energy Delivery of Ohio (which allows a 15% daily imbalance tolerance). [Tr., page 142, line 11 - page 153, line 1 (Mierzwa)]; UAE/Nucor/CIMA Exhibit 1.0R (Higgins), lines 167-188). Thus, even in the context of rare daily balancing requirements, QGC's proposal for a 5% tolerance level is unreasonably restrictive.
[4] E.g., Tr., pg. 142, line 11 - pg. 153, line 1 (Mierzwa); Tr., pg. 163, lines 4-9 (Mierzwa); UAE/Nucor/CIMA Exhibit 2.0 (Fishman), lines 34-54.
[5] No utility has been identified in this docket that imposes a daily balancing requirement *and* that refuses to allow an option for aggregating daily imbalances at the agent or pooling level, as QGC has proposed.

UAE/Nucor/CIMA witness Kevin Higgins, QGC's proposal is a "singularly aggressive outlier."[6] QGC's proposal should be rejected.

The record in this docket suggests that some natural gas utilities offer optional balancing services to their transportation customers and impose balancing charges based on incremental costs incurred to acquire upstream services needed to provide such services.[7] No natural gas utility has been identified that collects daily imbalance charges when no upstream services have been secured and no incremental costs have been incurred to provide balancing for transportation customers, and are only accessible to transportation customers on an as-available basis.

QGC's proposed cost assignment to transportation customers under the circumstances in this docket is not consistent with traditional cost-causation-based ratemaking, where parties who cause an expense to be incurred are expected to pay for it.[8] Instead, because transportation customers may unintentionally benefit from some of the upstream services purchased by QGC for sales customers, QGC believes transportation customer should reimburse sales customers. [9]

Transportation customers may not object, "in fairness," to paying a ***reasonable*** portion of the costs of upstream NNT and storage services, but only to the limited extent they are shown to actually be used for and provide benefits to transportation customers in a manner that they do not and cannot otherwise obtain. QGC's testimony in this docket falls far short of making any such showing. Rather, QGC's uniquely-punitive proposal to increase transportation rates by 11.6%[10]

[6] UAE/Nucor/CIMA Exhibit 1.0SR (Higgins), lines 44 - 45.
[7] E.g., Tr., pg. 153, line 2 - pg. 162, line 17 (Mierzwa).
[8] E.g., Tr., pg. 34, lines 2 - 16 (Mendenhall); UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 204-220.
[9] E.g., QGC Exhibit 1.0 (Mendenhall), lines 12 - 13.
[10] UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 216 - 220.

is unfairly calculated, incompletely developed, inadequately supported and unreasonably and unnecessarily disruptive to existing marketplace efficiencies. It should be rejected.

COMMENTS AND ARGUMENTS

QGC has the burden of proof to support any proposed tariff changes or new rates. QGC has failed to carry its burden of proof in this docket for several reasons discussed below, each of which is fatal to QGC's proposal. As a result, the Commenting Parties respectfully submit that the Commission should deny QGC's application, establish a task force with specified tasks, and then adopt reasonable daily balancing restrictions and charges based on a full and defensible record. In addition, the Commission should require QGC to begin to measuring and informing transportation customers of their daily imbalances and the potential monthly costs they would incur under QGC's proposal, while adequate and defensible data and charges are being developed.[11]

A. QGC's Proposed Use of Unadjusted Historical Test Period Data Violates Utah Law.

Utah's test period statute, of which QGC was a major legislative supporter, requires in any ratemaking context the use of a test period that "best reflects" that conditions expected to be encountered during the rate effective period.[12] It also requires consideration of known and measurable changes anytime an historical test period is used.[13] QGC, however, made no effort in this docket to demonstrate that its unadjusted historical test period data[14] is reasonably reflective

[11] E.g., US Mag Exhibit 1.0 (Swenson), lines 124 - 142.
[12] Utah Code Section 54-4-4(3)(a).
[13] *Id.*, Section (3)(c).
[14] UAE generally supports the use of an historical test period and assumes QGC will remain consistent by proposing historical test periods in future rate cases. However, QGC's use of an ***unadjusted*** historical test period that is clearly not representative of rate effective conditions in this docket is inconsistent with the Utah law that QGC championed.

of conditions that will be encountered during the rate effective period, or to propose appropriate adjustments to the historical data that it used.

QGC assumes, and others generally agree, that if daily balancing charges are imposed, transportation customers and their agents will more closely monitor and reduce their imbalances in response to financial incentives.[15] Yet, neither QGC nor any other proponent of these new charges proposed adjustments to the admittedly defective historical test period data in an effort to reflect this expected reaction. QGC carries the burden of proof and its failure to adjust the test period data for this expected reaction is fatal to its proposal.

QGC cannot have it both ways, insisting upon a future test period in general rate cases based on the argument that a future test period will better reflect conditions during the rate-effective period, but then relying here upon unadjusted historical data that is clearly not reflective of the rate effective period.[16] QGC failed to establish a record that would be necessary for the Commission to properly determine a reasonable revenue requirement to be collected from transportation customers based on unadjusted historical data from 2013-2014.

[15] E.g., QGC Exhibit 2.0R (Schwarzenbach), lines 131 - 139; US Mag Exhibit 1.0 (Swenson), lines 41 - 49; OCS Exhibit 1S (Mierzwa), lines 19 - 77; UAE/Nucor/CIMA Exhibit 1.0R (Higgins), lines 49-52; DPU Exhibit 1.0 (Wheelwright), pgs. 3-4.

[16] This fatal defect in the record was effectively acknowledged by the Division's witness (DPU Exhibit 1.0D (Wheelwright), lines 278 - 281 ("I do not believe that the Company has presented sufficient information at this point to validate the appropriate costs that should be assigned to the TS class or their method of recovery") and not challenged by the Office, whose witness suggested instead that an unsupported revenue requirement should nevertheless be used to make up for expenses that transportation customers allegedly should have been paying in the past. [OCS Exhibit 1.0SR, lines 62 - 77]. Beyond the fact that no evidence was introduced in support of any such retroactive recovery, the rule against retroactive ratemaking precludes such a result in this State [E.g., *Utah Department of Business Regulation v. Utah Public Service Commission*, 720 P.2d 420 (Utah 1986)].

B. QGC also failed to carry its burden of proof to support several elements of its proposed new charges.

Beyond its improper use of unadjusted historical test period data, QGC also failed to establish a record that can properly support at least three of the specific elements of its proposed rate. QGC's proposed rate was calculated using a formula with the following elements:

$$\frac{\textbf{Element \#1 (proposed volumetric charge) x Element \#2 (total imbalance volumes)}}{\textbf{Element \#3 (net imbalances in excess of 5\%)}}$$[17]

QGC's proposed volumetric charge (Element #1) was multiplied by aggregated net transportation customer unadjusted historical test period imbalance volumes (Element #2) to calculate QGC's proposed revenue requirement of $1.7 million.[18] This proposed revenue requirement was then divided by transportation customer imbalance volumes during the test period in excess of 5% (Element #3) to calculate QGC's proposed penalty for daily imbalances in excess of 5% of $.19/Dth.[19]

The use of daily imbalances in excess of a specified threshold in Element #3 may be reasonable. That is, it may be reasonable to collect an *appropriately calculated revenue requirement* based upon daily imbalances in excess of a reasonable[20] imbalance tolerance level.[21]

[17] QGC Exhibit 1.0 (Mendenhall), lines 65 - 73.
[18] QGC Exhibit 1.0 (Mendenhall), lines 148 - 153.
[19] QGC Exhibit 1.0 (Mendenhall), lines 173 - 175.
[20] Testimony on this record demonstrates that a 5% daily tolerance level is unduly restrictive and unreasonable. [E.g., see footnote 3, above; DPU Exhibit 1.0 (Wheelwright), lines 173 - 191; Summit Exhibit 1.0 (McGarvey), lines 98 - 131; CIMA Exhibit 1.0 (Medura), lines 76 - 91].
[21] Some witnesses suggested a smaller volumetric charge on all transportation volumes [E.g., DPU Exhibit 1.0 (Wheelwright), lines 281 - 286]. Such an approach would presumably eliminate the incentive for customers to better manage their imbalances, which is inconsistent with one of QGC's stated goals, [e.g., QGC Exhibit 1.0, (Mendenhall), lines 23 - 24], although it has the benefit of administrative simplicity. [E.g, UAE Exhibit 1.0R (Higgins), lines 49 - 58]. If a transportation imbalance charge is adopted, this type of "socialized" charge should be

In contrast, the components used by QGC in Elements #1 and #2 to calculate its proposed revenue requirement are unfair, unreasonable, and inadequately supported on the record.[22]

1. *QGC's inclusion of transportation charges and fuel reimbursement costs in Element #1 of its formula is unreasonable and unsupported.*

QGC improperly included in its calculation of a proposed volumetric rate for imbalance volumes (Element #1) upstream forward and backhaul transportation and associated fuel reimbursement costs, despite the fact that such components are never actually, or even hypothetically, used for the benefit of transportation customers. One can reasonably argue that transportation customers should pay a reasonable portion of the costs for QGC's upstream NNT and storage services. NNT and storage services are typically not purchased by or for transportation customers, but they have been shown to potentially benefit transportation customers, at least to some extent.[23] However, no such showing or reasonable argument has been or can be made for the inclusion of upstream transportation and associated fuel reimbursement charges.

Unlike QGC's NNT and storage rights on Questar Pipeline, QGC's upstream transportation rights ***are never used*** to transport natural gas as a result of transportation customer imbalances.[24] Transportation customers are fully responsible for upstream transportation and fuel

made available to transportation customers, but only on an optional basis. [*Id*.] Transportation customers should also have the option to reduce their imbalance charges by better managing their nominations and usage.

[22] Tr., pg. 66, line 11 - pg. 67, line 23; UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 366 - 388; UAE/Nucor/CIMA Exhibit 1.3 (Higgins).

[23] E.g., UAE Exhibit 1.0SR (Higgins), lines 59 - 70.

[24] E.g., UAE Exhibit 1.0 (Higgins), lines 221-283.

reimbursement costs for 100% of the natural gas that they transport – ***including natural gas transported when working off imbalances***.[25]

QGC included upstream transportation and fuel reimbursement costs, apparently based upon the ***fiction*** that QGC ***theoretically*** uses its upstream transportation rights to deliver transportation customers' imbalance volumes into and out of storage. In fact, however, no such transportation actually occurs. QGC has admitted that it does not place daily nominations to or from its city gates or the storage facilities, and that it does not incur any incremental transportation costs, as a result of daily transportation imbalances.[26] Rather, because of the ***NNT and storage rights*** purchased by QGC, an automatic, after-the-fact adjustment is made to QGC's nominations at the storage facilities to erase QGC's net imbalance.[27] Thus, while a portion of QGC's **NNT** and **storage** rights may actually be used on account of transportation customer imbalances to their benefit, **no transportation rights** held by QGC for its sales customers (or associated fuel reimbursement) are actually used and no such upstream rights benefit transportation customers.

There is simply no reasonable argument for the inclusion of transportation costs or associated fuel reimbursement charges in the calculation of the volumetric rate to be charged for transportation imbalances.[28] Basing such rates on fictional transportation services that do not

[25] E.g., UAE Exhibit 1.0SR (Higgins), lines 76 - 78.
[26] E.g., UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 241-339; Tr., pg. 31, line 4 - pg. 34, line 16; UAE Exhibit 1.0SR (Higgins), lines 71 - 86.
[27] *Id.*; CIMA Exhibit 1.0 (Medura), lines 110-118.
[28] Indeed, the stipulation referenced by QGC and the Division by which a transportation imbalance charge was imposed on MT customers refers ***only*** to NNT and storage rights, ***not transportation rights***. [E.g., DPU Exhibit 1.0SR (Wheelwright), pg. 4].

actually occur, and that duplicate transportation costs already paid by transportation customers, is unreasonable and unsupportable.

It goes beyond the unreasonable to the absurd for QGC to include, as it has here, transportation charges not only for positive transportation customer imbalances – when QGC might fictionally or theoretically be considered to be "using" its upstream transportation rights to move transportation customers' excess imbalance volumes into storage – but also for ***negative imbalances*** when, even in QGC's fictional world, it would be using ***less*** of its transportation rights because of the transportation customers' negative imbalance, when it would have less gas to move. QGC's inclusion of redundant transportation and fuel reimbursement costs in its proposed volumetric rates is unreasonable, unfair and unsupportable and should be rejected.

Incorporating these necessary adjustments in the Element #1 volumetric charge – by removing cost components for transportation and fuel reimbursement that are not used – results in a volumetric rate for Element #1 of $0.25429/Dth.[29] This adjustment by itself reduces the appropriate revenue requirement to be collected from transportation customers by over half, to about $847,000, and reduces the charge for transportation imbalances in excess of 5% to about $.09/Dth ($0.09286).[30]

2. *QGC's proposed use of 100% of transportation customer imbalance volumes in Element #2 is unreasonable and not supported by the evidence.*

Element #2 in QGC's rate formula utilizes 100% of transportation customers' aggregated net daily imbalance volumes over the unadjusted historical test period.[31] The use of these

[29] E.g., UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 340 - 347; UAE/Nucor/CIMA Exhibit 1.3 (Higgins).
[30] E.g., Tr., pg. 64, line 21 - pg. 66, line 10; UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 348 - 365; UAE/Nucor/CIMA Exhibit 1.3 (Higgins).
[31] QGC Exhibit 1.0 (Mendenhall), lines 140 - 153.

volumes is unreasonable and unsupportable. Beyond the fact (discussed in Section A, above) that such volumes will clearly decrease during the rate effective period as a result of economic incentives, this aspect of QGC's calculation is also improper because it ignores the undisputed fact that transportation customers already have a 5% daily imbalance tolerance on Questar Pipeline.[32]

The charges proposed by QGC in this docket are designed to collect solely for alleged use by transportation customers of ***upstream (supplier non-gas) resources*** (storage, no notice service ("NNT") and transportation) purchased by QGC from Questar Pipeline.[33] However, transportation customers have no need to utilize QGC's upstream rights on Questar Pipeline for at least the first 5% of any daily imbalances; Questar Pipeline's tariff gives transportation customers a 5% daily imbalance tolerance and, as with QGC's current tariff, imposes costs on daily imbalances only during constrained periods when an Operational Flow Order ("OFO") has been issued.[34] Thus, QGC's transportation customers do not need to utilize any of QGC's storage, NNT or transportation rights on Questar Pipeline except during periods when Questar Pipeline Company has issued an OFO.[35] QGC failed to adjust the total imbalance volumes used in Element #2 of its formula to reflect this reality.

[32] Questar Pipeline FERC Gas Tariff, Section 12.2; http://www.questarpipeline.com/tariffPDF/QPC-TARIFF.pdf
[33] E.g., QGC Exhibit 1.0 (Mendenhall), lines 25 - 43; Tr., pg. 31, lines 4 - 18 (Mendenhall).
[34] Questar Pipeline FERC Gas Tariff, Section 12.2.
[35] QGC chooses to treat transportation volumes as the first through the meter, effectively placing the burden of all imbalances on QGC's upstream NNT and storage rights. [E.g., Tr., pg. 84, line 17 - pg. 85, line 2 (Mendenhall)]. Regardless of how QGC elects to treat transportation volumes, however, it remains indisputable that transportation customers and their agents have the right under Questar Pipeline's current tariff to a 5% daily imbalance tolerance – a right that was improperly ignored in QGC's calculation of its proposed revenue requirement.

In contrast, Kevin Higgins adjusted the Element #2 imbalance volumes to reflect only imbalance volumes in excess of 5%.[36] This adjustment is conservative, in that a strong argument exists that the imbalance volumes used to calculate a proper revenue requirement should include only imbalance volumes during an OFO. In all events, QGC's failure to adjust the imbalance volumes to reflect any of the existing tolerances on Questar Pipeline constitutes a failure in its burden of proof and a failure to propose just, reasonable or fair rates.

QGC's response to Mr. Higgins' conservative adjustment was an unsupported and non-responsive claim that ***QGC's distribution system*** does not have "significant" or "enough" flexibility (or "line pack") to support a 5% daily tolerance level.[37] In addition, QGC criticized Mr. Higgins for not offering proof that the flexibility/line pack on QGC's distribution system is at least 5%.[38] Beyond that fact that these claims are irrelevant and non-responsive (as discussed below), in so responding QGC exposed its failure to carry its burden of proof.

QGC's testimony effectively concedes that its distribution system has ***some*** flexibility/line pack,[39] yet it failed to offer any evidence as to the amount of such flexibility or to include any allowance whatsoever for existing flexibility in its calculations. Rather, QGC's calculations inherently assume, without proof, that available flexibility or line pack on its system is 0%.[40] It is QGC, and not the intervenors, that has the burden of proof to establish the reasonableness of each element of its proposed new charge. Instead, it relied upon an

[36] UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 350 - 358; & 1.0SR (Higgins), lines 102 - 109.
[37] E.g., QGC Exhibit 1.0R (Mendenhall), lines 261 - 264; & 2.0R (Schwarzenbach), lines 217 - 236.
[38] E.g., QGC Exhibit 1.0R (Mendenhall), lines 271 - 273.
[39] E.g., QGC Exhibit 1.0R (Mendenhall), lines 261 - 273; and 2.0R (Schwarzenbach), lines 217 - 236.
[40] E.g., UAE Exhibit 1.0SR (Higgins), lines 102 - 109.

unsupported and unsupportable assumption that flexibility in its distribution system is 0% – a fatal flaw for the party with the burden of proof.

Beyond exposing its own failed burden of proof, QGC's response to Mr. Higgins' conservative adjustment was also non-responsive and irrelevant. It is only the transportation customers' alleged use of QGC's ***upstream rights on Questar Pipeline*** that is at issue here, not the flexibility or use of QGC's distribution system (for which transportation customers pay their allocated share, as determined by the Commission). The indisputable fact remains that transportation customers and their agents pay for and enjoy have an existing right on Questar Pipeline to daily imbalances of 5%, and any charge for transportation customers' alleged use of ***other*** Questar Pipeline services purchased by QGC for its sales customers must acknowledge and reflect the existence of these existing rights currently available to transportation customers. Mr. Higgins' adjustment is properly based on the precise level of imbalance tolerance available to transportation customers on Questar Pipeline's system.

This necessary adjustment to Element #2 of QGC's calculation – utilizing only daily imbalance volumes in excess of 5% – by itself reduces the volume of imbalances to be used in Element #2 by more than half, to about 1.5 million Dth, reduces the appropriate revenue requirement to be collected from transportation customers by over half, to about $790,000, and reduces the charge for transportation imbalances in excess of 5% to about $.08/Dth ($0.08661).[41]

3. *QGC's failure to limit the imbalance volumes used in Element #2 to its actual net daily imbalance is unreasonable and unsupportable.*

[41] E.g., Tr., pg. 64, line 21 - pg. 66, line 10; UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 348 - 365; UAE/Nucor/CIMA Exhibit 1.3 (Higgins)

Another fatal flaw in QGC's proposed rate calculation is its failure to utilize its actual net daily imbalances in determining the volume of imbalances for purposes of Element #2. On many days, transportation customers' imbalances move in the opposite direction of sales customers' imbalances, actually ***helping*** QGC ***reduce*** its imbalances and thus reduce its need to utilize upstream rights on Questar Pipeline.[42] QGC's failure to give transportation customers any credit for those times when they help reduce total net QGC imbalances is inexcusable, particularly in this context where traditional cost-causation-based ratemaking principles are not being followed.[43] When, as here, a charge is based on the notion that one group of customers might unintentionally ***benefit*** from rights purchased for another group of customers and that, ***in fairness***, some of the costs should be assigned to the benefitted group, one cannot ignore the obvious ***unfairness*** of failing to acknowledge the times when transportation customers' imbalances actually reduce the system's total net imbalance, benefitting QGC and its sales customers.

This additional necessary adjustment to Element #2 in QGC's calculation – acknowledging the reality that offsetting imbalances benefit QGC, reduce its need for and use of upstream services – by itself reduces the volume of imbalances to be used in Element #2 by about 188,000 Dth, reduces the revenue requirement to be collected from transportation customers by about $98,000 and reduces the proper charge for imbalances in excess of 5% by about $.00811/Dth

[42] E.g., UAE/Nucor/CIMA Exhibit 1.0 (Higgins), lines 368 - 373; CIMA Exhibit 1.0SR (Medura), lines 110 - 118.
[43] QGC acknowledges that it purchases 100% of its upstream NNT, storage and transportation rights on Questar Pipeline solely for its sales customers, and that none of them are purchased for transportation customers. [E.g., Tr., pg. 31, line 4 - pg. 34, line 6]. Thus, under traditional cost-causation principles, 100% of these costs should properly be, and to date have been, charged to the customer classes that need them and that caused them to be incurred.

Incorporating the three necessary adjustments discussed in Section 1, 2 and 3, above, to QGC's proposed formula reduces the proper revenue requirement to be collected from transportation customers for the use of upstream NNT and storage right to $337,275 and the proper charge for daily transportation imbalances in excess of 5% to $.03695/Dth.[44]

C. Utah companies should be allowed to continue to aggregate imbalances at the agent level and retain access to market-based services and efficiencies.

Transportation customers today can aggregate imbalances at the agent level during periods restriction of OFO periods for purposes of imbalance measurements, charges and trading.[45] QGC proposes to eliminate access to this efficient and industry-standard practice for its proposed new daily OFO or daily balancing requirements. The Commission should soundly reject QGC's improper attempt to stifle competition and eliminate access by Utah companies to these market-based services and efficiencies. Transportation customers are typically not in the business of buying, selling, transporting or managing natural gas supplies, except as a necessary adjunct to providing their core services, whether manufacturing, education, charitable or otherwise. Instead, they rely upon a wide range of market-based natural gas services that have been developed to provide assistance and efficiencies.[46] QGC's refusal to accommodate agent-level aggregation would unnecessarily eliminate access to some of these services and efficiencies, instead imposing on each individual transportation customer the need to manage daily gas balancing or pay excessive penalties. QGC's stubborn refusal to accommodate market efficiencies currently available to Utah companies, and to companies throughout the country,

[44] E.g., Tr., pg. 71, line 24 - pg. 72, line 2 (Mendenhall); Tr., pg. 225, lines 19-24 (Higgins); UAE/Nucor/CIMA Exhibit 1.3 (Higgins).
[45] E.g., CIMA Exhibit 1.0R (Medura), lines 61 - 70.
[46] E.g., UAE/Nucor/CIMA Exhibit 2.0 (Fishman), lines 41 - 54.

should be soundly rejected. At the very least, Utah companies should retain access to industry-standard agent-level aggregation of gas supplies for balancing purposes.

No party has offered a cogent reason for rejecting agent-level imbalance aggregation, although attempts were made to divert attention from QGC's unreasonable and anti-competitive position by citing erroneous or irrelevant arguments, such as that QGC's calculations have assumed a level of aggregation[47] or nonsensical difficulties in calculating penalties,[48] or by the circular and irrelevant argument that QGC chooses not to contract with agents,[49] or by speculative and far-fetched warnings of dire operational risks that have never occurred and are never likely to occur.[50] There is no justification for allowing QGC's sales customers to enjoy the benefits of imbalance aggregation while simultaneously denying such benefits to transportation customers. No credible evidence has been introduced and no reasonable argument has been advanced as to why QGC cannot continue to accommodate industry-standard aggregation practices, as it currently does during OFOs. If agent-level aggregation works during periods of system stress, it can certainly work on a day-to-day basis.

CONCLUSION

The Commenting Parties respectfully submit that QGC has failed in all respects to carry its burden of proof for its proposed new transportation customer imbalance charges, and that its proposed tariff changes and rates must be rejected. The Commenting Parties remain willing to work within a task force context to identify proper test period adjustments, cost components,

[47] E.g., QGC Exhibit 1.0R (Mendenhall), lines 364 - 365.
[48] E.g., QGC Exhibit 1.0R (Mendenhall), lines 370 - 371.
[49] E.g., OCS Exhibit 1D (Mierzwa), lines 234 - 236.
[50] E.g., Tr., pg. 118, lines 13-25 (Mendenhall).

operating parameters (i.e., agent imbalance aggregation and management), and elements that could properly be taken into account in establishing reasonable and defensible daily imbalance restrictions and charges for transportation customers. While the task force completes its assigned tasks, QGC should be directed to begin measuring and informing transportation customers of their daily imbalances and the resulting penalties that would be imposed under QGC's proposal.

If the Commission nevertheless determines that the record in this docket is sufficient for it to establish daily imbalance restrictions and charges at this time, the Commenting Parties respectfully submit that at least four adjustments must be made to QGC's proposal, at the very minimum, to make the result just and reasonable: (i) recognizing optional agent-level aggregation for imbalance purposes at city gates within physical proximity to each other; (ii) eliminating fictional transportation and fuel reimbursement charges included in developing the volumetric rate for Element #1; (iii) adjusting the imbalance volumes included in Element #2 of QGC's proposed formula to include only daily imbalances in excess of 5%; and (iv) further adjusting imbalance volumes included in Element #2 to reflect only actual imbalances after netting out opposing sales and transportation customer imbalances.

DATED this 23rd day of September 2015.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 23rd day of September 2015 on the following:

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