- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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

ISSUED: November 9, 2015

SHORT TITLE

Questar Gas Company Transportation Customers and Supplier Non-Gas Services

SYNOPSIS

The Commission approves a supplier non-gas service charge of $0.08896 per decatherm applied to daily imbalance volumes outside of a 5 percent tolerance for transportation customers taking service under the MT, TS, and FT-1 rate schedules.

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APPEARANCES

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I. BACKGROUND AND PROCEDURAL HISTORY

This matter is before the Public Service Commission of Utah ("Commission") on the December 18, 2014, application of Questar Gas Company ("Questar") for approval of a new supplier non-gas ("SNG") reimbursement charge of $0.19064 per decatherm ("Dth") for daily imbalances outside of a 5 percent imbalance tolerance applicable to the transportation class of customers ("Application"). Questar proposes to impose this charge on customers taking service under the FT-1, MT, and TS rate schedules ("Transportation Customers") of Questar's Utah Natural Gas Tariff No. 400 ("Tariff").

On December 19, 2014, the Commission issued a notice of scheduling conference to be held on January 6, 2015. On January 7, 2015, the Commission issued a Scheduling Order and Notices of Technical Conferences and Hearings setting the procedural schedule for this matter ("Scheduling Order"). Pursuant to the Scheduling Order, on January 21 and May 13, 2015, the Commission convened technical conferences in this docket.

Between December 23, 2014, and May 14, 2015, the following parties requested intervention in this docket, which the Commission granted: Summit Energy, LLC ("Summit"), Nucor Steel-Utah, a Division of Nucor Corporation ("Nucor"), The Kroger Co. ("Kroger"), Utah Association of Energy Users ("UAE"), CIMA Energy Ltd. ("CIMA"), US Magnesium LLC ("US Mag"), and Continuum Retail Energy Services LLC ("Continuum").

On May 5, 2015, the following parties filed direct testimony: Summit, CIMA, US Mag, and collectively by UAE, Nucor, and CIMA (collectively referred to as "UAE" unless otherwise noted). On July 2, 2015, the Division of Public Utilities ("Division") and the Office of Consumer Services ("Office") filed direct testimony. On July 21, 2015, the Office filed amended direct testimony. On July 31, 2015, Questar, the Office, UAE, US Mag, and CIMA filed rebuttal testimony. On August 14, 2015, Questar, the Division, the Office, UAE, US Mag, CIMA, and Summit filed surrebuttal testimony. On August 21, 2015, the Office filed a motion to strike portions of Summit's surrebuttal testimony ("Motion to Strike"). On August 24, 2015, Questar and the Division filed responsive memoranda in support of the Office's Motion to Strike. On August 25, 2015, Summit filed a response in opposition to the Office's Motion and the Division's August 24th response.

On August 26, 2015, the Commission conducted a hearing during which parties presented testimony and evidence in this matter. At the commencement of the hearing and after considering the positions of all parties, the Commission denied the Office's Motion to Strike. At the conclusion of the hearing the Commission granted parties the opportunity to file post-hearing briefs, statements, or comments up to 15 pages in length, no later than 15 days after the hearing transcript is entered into the docket. The hearing transcript was entered into the docket on September 8, 2015. On September 23, 2015, the following parties filed a post-hearing brief or comments: Questar, the Division, the Office, Nucor, and, collectively, UAE, CIMA, US Mag, and Nucor.

Public comments were filed by Costco Wholesale ("Costco") and Fresenius Medical Care ("Fresenius") on April 24 and May 4, 2015, respectively.

II. QUESTAR'S PROPOSAL

Questar proposes to implement a transportation imbalance charge ("Imbalance Charge") of $0.19064 per Dth to be assessed on each Transportation Customer's daily imbalance outside of a 5 percent imbalance tolerance. Questar asserts the proposed Imbalance Charge supports two objectives. First, Questar maintains the Imbalance Charge will charge Transportation Customers for the SNG services, including upstream pipeline transportation, no-notice transportation ("NNT"), and storage services, they use on a daily basis that are currently being paid for by Questar's sales customers ("Sales Customers").[1] Questar contends implementation of the Imbalance Charge will eliminate this interclass subsidy.

Second, Questar asserts implementation of the Imbalance Charge will provide a financial incentive for Transportation Customers or their agents ("Agents")[2] to more closely match the Transportation Customers' daily nominations on Questar's system with the amount of gas actually used. Questar asserts correct nominations are important every day because supply availability problems may arise at any time due to weather, maintenance, or unforeseen operations. Questar also asserts that during periods of limited flexibility, Transportation Customers' inaccurate nominations lead to operational problems.

Questar's Application proposes the following changes to its Tariff: 1) Tariff Section 5.01: addition of a subsection entitled Transportation Imbalance Charge specifying that customers taking service on rate schedules FT-1, MT, and TS will be assessed a charge for daily imbalances that are outside of the 5 percent imbalance tolerance and that the Imbalance Charge will be recalculated in each pass-through filing and updated at least annually; 2) Tariff Sections 5.05, 5.06 and 5.07: addition of the Imbalance Charge of $0.19064 per Dth; and 3) miscellaneous changes to the Advice No., Section Revision No., and Effective Dates on the affected Tariff pages.

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[1] Questar's sales customers are those customers taking service under the following rate schedules: GS - General Service, FS - Firm Service, NGV - Natural Gas Vehicle Service, and IS - Interruptible Service.

[2] The term Agent collectively refers to Transportation Customers' gas supply agents, marketers, and suppliers.

In support of its first objective, Questar asserts that Transportation Customer imbalances occur daily and provides daily imbalance data in its QGC Exhibit 1.3. Moreover, Questar explains that Questar Pipeline Company ("QPC") considers the volumes[3] nominated by Questar's Transportation Customers as "first through the meter" meaning they are always in balance and that "QPC attributes any imbalance between actual deliveries and nominations, including Transportation Customer imbalances, to Questar Gas and Questar Gas is then left to address the entire imbalance with QPC."[4]

Questar uses data from an historic test period of December 1, 2013, through November 30, 2014 ("Test Year"), to develop its Imbalance Charge. Questar asserts its Test Year is appropriate because Transportation Customers have been given sufficient notice of a pending charge and have had ample time to prepare for changes in their nominating practices.

Questar develops its proposed Imbalance Charge of $0.19064 per Dth using a three-step process. First Questar develops a total volumetric charge of $0.52205 per Dth associated with 8 specific components relating to transportation upstream of the city gate, NNT service, and storage as presented in Table 1.

Table 1. Volumetric Charge Cost Components

	Component	Volumetric Rate per Dth	Origin
1	Transportation	$0.17652	Questar Pipeline Company's ("QPC") Interruptible Transportation T-2 base tariff rate included in QPC's FERC Gas Tariff Statement of Rates.

[3] Throughout this proceeding it appears parties use the terms "volumes" and "decatherms" interchangeably. Unless otherwise noted, we accept this convention.
[4] Questar Gas Company's Post-Hearing Brief, September 23, 2015, p. 3.

	Component	Volumetric Rate per Dth	Origin
2	No-Notice Transportation	$0.02852	QPC's NNT monthly reservation charge of $0.86753 multiplied by 12 months and divided by 365 days.
3	ACA Charge	$0.00140	QPC's FERC Annual Charge Adjustment charge passed through to QPC Customers.
4	QPC Fuel Gas Reimbursement	$0.09124	Questar's in-kind fuel percent reimbursement of 1.97 percent to QPC to cover the cost of fuel used, and lost and unaccounted for gas. Charge is calculated by multiplying Questar's October 2014 191 account pass-through filing weighted average cost of gas of $4.63135 by 1.97 percent.
5	Clay Basin Demand	$0.09381	QPC's Clay Basin Firm Storage Service Monthly Demand reservation charge of $2.85338 multiplied by 12 months and divided by 365 days.
6	Clay Basin Capacity	$0.02378	QPC's Clay Basin Firm Storage Service Capacity Charge.
7	Clay Basin Fuel Gas Reimbursement	$0.09263	QPC's Park and Loan 1 fuel reimbursement rate of 2 percent multiplied by Questar's October 2014 191 account pass-through weighted average cost of gas of $4.63135.
8	Injection/Withdrawal Avg.	$0.01415	Average of QPC's Clay Basin Firm Storage Service Injection fee of $0.01049 and Withdrawal fee of $0.01781.
	Total Volumetric Rate	**$0.52205**	

Questar notes that the QPC fuel gas reimbursement of 1.97 percent used in its calculation has been updated by QPC since Questar filed its Application and that the weighted average cost of gas ("WACOG") used in its calculation varies through time. Questar commits to update these components based on the most current QPC fuel gas reimbursement percentage and Questar WACOG approved in 191 account pass-through filings.

Second, Questar determines an estimated annual cost (or revenue requirement) of $1,740,374 for SNG service to be collected from Transportation Customers by multiplying the total volumetric rate of $0.52205 per Dth by the total daily netted imbalances for all Transportation Customers for the twelve months ending November 2014 (i.e., 3,333,731 Dths[5]). Questar states that adjusting these Dths for line pack is not appropriate because its distribution system operates at much lower pressures than interstate pipelines resulting in significantly less line pack. Questar also suggests that any adjustment to net Sales Customers' and Transportation Customers' volumes is inappropriate because at Clay Basin each customer's injections or withdrawals are considered separate transactions. Therefore Questar maintains its proposals reflect the value of the service.

Finally, Questar divides the estimated SNG annual revenue requirement of $1,740,374 by 9,128,985 Dths, *i.e.*, the sum of each Transportation Customer's daily imbalance outside of a 5 percent tolerance, to arrive at the proposed imbalance charge of $0.19064 per Dth to be applied to all Dths outside of the 5 percent daily tolerance.

Questar states its proposal allocates the costs that would have been paid by Transportation Customers whose daily nominations are within a 5 percent tolerance to those Transportation Customers whose daily nominations fall outside of the 5 percent tolerance. Questar maintains its proposed rate design is based in part on feedback from the transportation

[5] The value of 3,333,731 reflects a netting of all of the Transportation Customers' daily imbalances, e.g., if one customer had an imbalance of +10 Dths and another had an imbalance of -10 Dths, those two imbalances would net to zero for the day.

customer working group. Questar points out the 5 percent tolerance level also matches the existing commodity daily balancing provision in Tariff Section 5.09, which states: "The Company will allow ± 5% of a customer's volumes delivered from upstream pipelines as a daily imbalance tolerance window."[6] Questar also maintains its proposed Imbalance Charge rate design is consistent with how charges are assessed to customers for these services on the upstream pipeline wherein customers are charged for injections and withdrawals, regardless of whether the overall transactions net out and result in no physical injections at Clay Basin. Questar notes that if a Transportation Customer desires to avoid the Imbalance Charge it must simply stay within the 5 percent daily tolerance.

Questar explains that the transportation component of $0.17652 per Dth "is based on the [I]nterruptible [T]ransportation (T-2) charge that is included in the SNG costs [Questar] customers pay to Questar Pipeline shown as item 1 on page 1 of QGC Exhibit 1.2."[7] Questar states that the transportation component is the 100 percent load factor equivalent of the rates Questar pays QPC for T-1 firm transportation service. Questar acknowledges that by including the transportation cost component in its Imbalance Charge, Transportation Customers will be paying a portion of Questar's Sales Customers' transportation costs. Questar maintains this is appropriate because firm transportation service on QPC is required in order to obtain NNT service.

In support of its proposed transportation component, Questar states it releases fixed transportation capacity to other customers on QPC and charges them a volumetric $0.17 per Dth

[6] Questar Gas Company Utah Natural Gas Tariff PSCU 400, Page 5-15.
[7] Direct Testimony of Kelly B. Mendenhall, QGC Exhibit 1.0, December 18, 2014, p. 4.

for that capacity, which is similar to the transportation component it used in the development of the Imbalance Charge. Questar asserts this is the value of the services Transportation Customers are receiving. Questar also asserts that gas moving to or from the city gate on QPC would incur the maximum $0.17 per Dth charge. Questar acknowledges that if the transportation component is not adopted, then the corresponding QPC fuel gas reimbursement component also should be excluded from the development of the Imbalance Charge.[8]

Questar proposes to update the Imbalance Charge rate, using the most recent 12 months of data, in each 191 account pass-through application, to credit the revenue from this charge to Sales Customers. Questar will not true up this rate for over- or under-collections. Questar maintains its proposal is appropriate because if Transportation Customers reduce their daily balances over time, the Imbalance Charge rate will be reduced. Questar maintains that future Imbalance Charge update proceedings would reflect a mechanical approach that would update the rate with the most current information.

Questar proposes that the one customer taking service under the MT rate schedule should be allowed to either pay the MT balancing service fee currently identified in the Tariff[9] or the Imbalance Charge approved in this proceeding. In addition, Questar does not support allowing FT-1 and TS Transportation Customers to choose between Questar's Imbalance Charge or a flat fee assessed on all of a Transportation Customer's Dths because it will likely result in an incorrect collection of revenue. Questar asserts there is no need for two separate rate designs

[8] Rebuttal Testimony of Kelly B. Mendenhall, QGC Exhibit 1.0R, July 31, 2015, p. 11, lines 240-243.
[9] The MT balancing services charge was approved in Docket No. 98-057-01, "Application of Hildale City and Intermountain Municipal Gas Association for an Order granting access for Transportation of Interstate Natural Gas over the pipelines of Questar Gas Company for Hildale, Utah" (Report and Order, April 26, 2000).

because its proposal provides a choice, i.e., Transportation Customers who are unable to nominate correctly or do not want to worry about nomination accuracy can use the SNG services and pay the Imbalance Charge.

Pertaining to the implementation of the Imbalance Charge for Transportation Customers using less than 10 Dths per day, Questar explains that its billing system can round up to six decimal places. Therefore, a customer using 10 Dths could be rounded to a 0.5 Dth tolerance level. Alternatively, Questar states its billing system could accommodate a 1 Dth per day floor.

Questar supports its proposal to incent better nominating practices by explaining that there have been two events in the last two years in which Transportation Customers' nominating practices resulted in confusion and penalties because daily nominations did not accurately match Transportation Customers' usage. In addition, Questar is concerned that incorrect nominations by Transportation Customers could result in loss of services to Sales Customers. Questar asserts that the allowance for aggregation of imbalances on a monthly basis does not provide any financial incentive for Transportation Customers or their Agents to make accurate daily nominations and that the current nominations practice of adjusting nominations on a few large customers is causing or exacerbating problems to Questar, particularly in times of limited supply. Questar argues its proposal will motivate Transportation Customers or their Agents to fulfill the responsibility that comes with being a Transportation Customer.

Should the Commission approve an imbalance charge applied to all Dths, rather than Questar's proposal, Questar recommends two changes to its Tariff to improve and incent proper nominations practices. First, Questar proposes to eliminate the aggregation and trading language in Tariff Section 5.09, Subsection Daily Imbalances, paragraph 5. Second, Questar proposes to change the word “first” to “last” in Section 5.09, Subsection Daily Imbalances, paragraph 2.

Questar explains the latter proposed modification would change Questar’s notification requirement from 24 hours to two hours for imposing an imbalance restriction. Questar believes this change is necessary because, under the current language, if a supply shortfall occurs, Questar is unable to use the daily balancing restrictions until the next day. Questar asserts that supply shortfalls are never planned, and therefore the current Tariff language makes it difficult to use a restriction as an imbalance management tool unless the supply shortfall lasts multiple days.

Questar argues that transportation service is an elective service and that Transportation Customers should be responsible for monitoring their own usage on a real-time basis and for paying the costs associated with any necessary telemetering. Questar also asserts that Transportation Customers and their Agents are in the best position to determine whether they have a need for any real-time metering data, and they should pay for it. Questar, however, does not believe that real-time monitoring equipment is necessary as a Transportation Customer can read its meter on-site at any time for no additional cost. Additionally, Questar maintains that real-time usage information is only one of the many elements necessary for predicting usage.

Questar does not support aggregation of Transportation Customers’ daily imbalances. Questar explains that it has already aggregated all of the customer daily imbalances in its rate calculation and aggregating a second time at the Agent level would ensure that Questar would never collect the full cost of balancing services from the Transportation Customers. Further, aggregation at the Agent level would allow Agents to continue to adjust the nominations of a few large customers, which will result in problems allocating allowed usage and penalties on days when supply curtailments occur.

Questar does not support the formation of a workgroup as it would only further delay the reimbursement to Sales Customers of costs associated with Transportation Customers' imbalances and a resolution of Questar's operational concerns. Questar argues previous technical and settlement conferences have been unsuccessful and asserts it is unlikely that a working group will come to an agreement or produce a better result.

III. POSITIONS OF OTHER PARTIES

A. The Division

The Division agrees with Questar that Transportation Customers should pay for the SNG services associated with their use of Questar's system and believes some type of imbalance charge is in the public interest. The Division concludes Questar's proposed $1.740 million SNG revenue requirement to be collected from Transportation Customers does not appear to be excessive given the large volume of gas that Transportation Customers deliver to Questar's distribution system requiring the use of balancing services.

The Division asserts that bringing the correct volume of gas to the Questar distribution system is important for system reliability, managing cost-of-service production, and for planning storage activities. Contrary to Questar's proposal, the Division supports collecting the $1.740 million revenue requirement through a flat fee, also referred to as a socialized balancing charge, assessed on all volumes of gas delivered to Transportation Customers ("Flat Fee"). The Division explains that both Questar's Imbalance Charge and the Flat Fee will collect the same amount of revenue but the impact to individual customers will be different.

In its evaluation of Questar's proposal, the Division examined and summarized historic usage characteristics of Transportation Customers.[10] The Division contends Transportation Customers using large volumes of gas will be allocated a greater portion of the charge under the Flat Fee proposal while smaller customers will be allocated a greater portion of the charge under Questar's proposal. The Division maintains a Flat Fee will enable Transportation Customers to more accurately predict and budget for this additional cost and that other local distribution companies ("LDC") have implemented flat fees. The Division states that Questar's proposal could encourage Transportation Customers to balance their usage and nominations on a daily basis to minimize their daily Imbalance Charge; however, it is unclear how many Transportation Customers will either improve nominations or pay the Imbalance Charge.

The Division maintains Questar's proposed 5 percent tolerance level may be too restrictive. The Division supports a larger daily imbalance tolerance as long as the higher limit does not lead to excessive shut-in or other costs. The Division suggests that the need for more precise nominations and equitable sharing of SNG costs could be addressed by: 1) implementing a 5 percent imbalance tolerance during Questar-issued imbalance restrictions, or Operational Flow Orders ("OFOs"); 2) implementing a higher imbalance tolerance on non-OFO days, which would require a recalculation of the Imbalance Charge; and 3) the broader use of OFOs or similar mechanisms currently allowed in Questar's Tariff when reliability is not jeopardized, but gas management considerations, such as avoiding shutting in wells, warrant more precise

[10] The Division notes that the five-year average of the amount of gas transported by Questar for Transportation Customers is approximately 42.730 million Dths, or 25 percent.

nominations. The Division asserts Questar should not be required to alter its daily planning to anticipate and accommodate imbalances.

The Division believes that the existing language in Tariff Section 5.09 is sufficiently flexible to allow Questar to implement restrictions to encourage and require more accurate nominations when needed without additional changes. The Division observes that Questar's Tariff currently allows Questar to place restrictions on individual customers or at the Agent level, but these procedures are not being utilized by Questar to encourage and require more accurate nominations. The Division suggests another option to improve nominations is to require more stringent monitoring and balancing of the 40 largest Transportation Customers, many of whom might already have real-time usage monitoring systems in place, where incorrect nominations could potentially impact Questar's system. The Division believes this more detailed monitoring, coupled with requiring best efforts to match deliveries with usage for the remaining 260 customers, would not amount to undue discrimination given the different system impacts of each Transportation Customer's usage.

The Division is concerned about the timely availability of actual gas usage information to Transportation Customers. The Division, however, suggests that the availability of real-time usage data may not eliminate the errors resulting from day-ahead forecast nominations and actual usage, particularly if weather conditions and manufacturing problems affect the accuracy of the day-ahead forecast. The Division notes that while real-time usage data is not currently available from Questar, a Transportation Customer could manually read the meter each day or install additional equipment and associated software to obtain real-time usage information.

The Division does not support Questar's proposal to allow MT customers to choose between the existing MT balancing services fee of $0.06 per Dth or Questar's proposed Imbalance Charge as it will simply mean MT customers will choose the lowest cost option based on their individual usage. The Division recommends that all Transportation Customers, including MT Customers, should pay the same fee for Transportation Customers' use of SNG services.

The Division does not support daily imbalance aggregation at the Agent level. The Division asserts that having the ability to trade away the imbalance charge reduces the incentive to improve the nominations process and, therefore, undermines the purpose of the charge.

The Division supports Questar's proposal to update the Imbalance Charge during each 191 account pass-through filing. The Division anticipates that as nominations and actual usage become more closely aligned, Transportation Customers will reduce use of the SNG services and the fee allocated to Transportation Customers.

The Division supports creation of a working group to review and further refine the SNG costs at issue in this docket, to evaluate changing market conditions, and to address other issues relating to Transportation Customers. The Division points out, with the market price of gas lower than the cost-of-service gas produced by Wexpro for Questar, there will continue to be an economic incentive for customers to explore moving from the sales class to the transportation class. This incentive could adversely affect Questar and its other customers. The Division states that Questar has identified this as an inherent business risk in its current SEC 10-Q filing.

B. The Office

The Office generally agrees with Questar's proposal, states the proposed Imbalance Charge is reasonable, and recommends Commission approval. The Office contends that delay in imposing a charge would mean Transportation Customers will continue to pay nothing for the balancing services they receive from Questar that are paid for by other customers. The Office asserts that if the Commission finds an SNG charge for Transportation Customers is warranted it must contemporaneously determine and implement the charge so that the Commission's decision will result in just and reasonable rates.

The Office supports the $0.17652 per Dth transportation component and agrees with Questar's representation that it is the 100 percent load factor equivalent of the rates Questar pays QPC for firm transportation service. The Office acknowledges that this component is not an incremental charge assessed to Questar for accommodating Transportation Customers' imbalances. Rather, the Office maintains the intent of this charge is to reimburse Sales Customers for the value of the services the Transportation Customers are using.

The Office supports Questar's use of its WACOG to develop the Imbalance Charge. The Office explains that the QPC fuel gas reimbursement charge requires Questar to purchase additional Dths for delivery to QPC, the cost of which is based on Questar's cost of gas, not market price.

The Office proposes an alternate Flat Fee of $0.03675 per Dth to be imposed on every Dth delivered to Transportation Customers.[11] The Office contends the Flat Fee will ensure Transportation Customers pay for SNG services but recognizes it may not address Questar's goal to improve nominations. The Office asserts this charge is a reasonable alternative to Questar's Imbalance Charge, but the Office supports the implementation of either charge.

[11] This charge is developed by dividing Questar's $1,740,374 revenue requirement by 47,355,069 Dths.

The Office maintains that daily balancing requirements are less common than monthly balancing requirements. In addition, the Office states those utilities that require monthly balancing usually assess a Flat Fee for balancing services. The Office lists four utilities that assess a monthly balancing charge.

The Office disagrees that implementation of an Imbalance Charge should be rejected because Questar does not have the necessary telemetering services in place for Transportation Customers to monitor daily imbalances. The Office asserts that since transportation service is elective, Transportation Customers should be responsible for monitoring their own usage and for paying the costs associated with any necessary telemetering service.

The Office asserts delaying implementation of the Imbalance Charge based on Questar's use of an historic test period is unnecessary because under Questar's proposal a Transportation Customer can completely avoid the charge by limiting daily imbalances to 5 percent. The Office emphasizes that rate design is not an exact science and references a U.S. Federal Energy Regulatory Commission ("FERC") order that cites FERC Order 890 stating that "allocation of costs is not a matter for the slide-rule. It involves judgment on a myriad of facts."[12]

The Office proposes that the issue of the imbalance tolerance level for low-usage Transportation Customers can be addressed by implementing a minimum tolerance of 1 Dth per day. The Office asserts this allowance would have an immaterial impact on system operations. The Office believes that since Questar's contracts are with individual customers, it is not feasible to implement aggregation at the supplier level at this time.

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[12] Surrebuttal Testimony of Jerome D. Mierzwa for the Office of Consumer Services, August 14, 2015, pp. 2-3.

C. UAE

UAE asserts Questar's proposal should be rejected. UAE recommends that before a revenue requirement associated with a new daily imbalance charge can be developed, Transportation Customers and their Agents should be given additional advance notice that a cost for daily imbalances will be imputed for recovery through a future imbalance charge enabling them to modify their nominations practices.

UAE notes the current monthly balancing regime, which is the standard applied across the country, has evolved to accommodate a number of practices to allow for the management and elimination of monthly imbalances through aggregation and trading practices. UAE argues Questar's proposal "offers no scope for any such management mechanisms."[13] Because of this, UAE asserts, Questar's proposal would be unreasonably disruptive to the existing marketplace efficiencies in the Utah market.

Prior to adopting any transportation imbalance charge, UAE recommends the Commission sponsor a workshop to investigate how daily balancing could best be accomplished. UAE argues it is inappropriate and premature for Questar's proposal to be based on an historic test year during which a monthly balancing regime is in effect.

UAE asserts daily balancing requirements for Transportation Customers are rare and, for those that exist, the tolerance is significantly greater than the 5 percent imposed by Questar. UAE provides information on imbalance schedules and their associated tolerance bands for gas companies located in the western United States. UAE argues that not one utility has been

[13] Kevin C. Higgins Direct Testimony, UAE/Nucor/CIMA Direct Exhibit 1.0, May 5, 2015, p. 9.

identified in this docket that imposes a daily balancing regime without allowing aggregation. In addition, UAE argues Questar has not provided any evidence that incorrect nominations have resulted in loss of service to firm Sales Customers. UAE states that although the avoidance of additional costs will be an objective for Transportation Customers, Questar's proposal does not provide the tools for success.

UAE contends that a fundamental consequence of Questar's "proposal is to place the obligation of monitoring natural gas usage and adjusting supply nominations directly on the transportation customer."[14] This, UAE argues, is in contrast to the well-established, efficient practices where Transportation Customers' Agents are responsible for managing nominations and imbalances. Additionally, UAE argues, Questar's natural gas metering and information systems do not provide timely information for Transportation Customers and their Agents to effectively manage within a 5 percent daily tolerance. Absent this information, UAE maintains Transportation Customers and their Agents cannot be expected to operate within a 5 percent daily tolerance. As a result, in UAE's view, there can be no real expectation that the proposed Imbalance Charge can cause many Transportation Customers to meaningfully reduce imbalances.

If the Commission determines it is necessary to impose an imbalance charge, UAE asserts Questar's proposed Imbalance Charge is not reasonable and recommends adjustments to the charge. UAE develops an Imbalance Charge of $0.03695 per Dth for imbalances in excess of a 5 percent tolerance by eliminating certain Table 1 cost components,[15] *i.e.*, the transportation

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[14] Direct Testimony of Jeff J. Fishman, UAE/Nucor/CIMA Direct Exhibit 2.0, May 5, 2015, p. 2.
[15] UAE eliminates the transportation and QPC fuel gas reimbursement components of $0.17652 and $0.09124, respectively, to arrive at a total cost component charge of $0.25429 per Dth.

and QPC fuel gas reimbursement components, and adjusting Questar's netted imbalance Dth value used to determine the revenue requirement.[16]

UAE argues it is unreasonable to include the transportation component, and its associated QPC fuel gas reimbursement component, in the development of the Imbalance Charge. UAE testifies the transportation component is based on QPC's T-2 Interruptible Transportation rate and no evidence has been provided that this incremental transportation cost is actually incurred by Questar as a consequence of Transportation Customers' daily imbalances. UAE also asserts that the inferred backhauls represented by this charge do not actually occur. UAE points out that Questar overlooks the fact that Transportation Customers are already responsible for covering their own transportation costs on interstate natural gas pipelines. Moreover, UAE maintains inclusion of the transportation component would result in Transportation Customers paying both their own interstate pipeline costs as well as a portion of the fixed costs Questar incurs for its Sales Customers.

UAE further maintains that, according to QPC's tariff, NNT Service must be taken in conjunction with a firm transportation rate that is priced on a monthly reservation charge, not a volumetric rate. Therefore, UAE argues Questar has assigned to Transportation Customers a share of the firm service transportation costs that Questar incurs to serve Sales Customers even when Transportation Customers' positive imbalances result in less gas being transported to the city gate.

[16] UAE proposes to exclude daily transportation imbalances that are within a 5 percent aggregate transportation customer usage on a given day (-1,819,134 Dth) and to adjust daily volumes to account for the times the Transportation Customers' and Sales Customers' imbalances move in opposite directions (-188,257 Dth). These adjustments reduce the annual transportation imbalance Dths from 3,333,731 Dth to 1,326,340 Dth.

UAE states that its first adjustment to Questar's daily imbalance Dths excludes daily transportation imbalances that are within a 5 percent aggregate transportation customer usage on a given day. This adjustment recognizes the role of QPC's system line pack in accommodating small daily imbalances. UAE maintains it is undisputed that Transportation Customers pay for and enjoy an existing right on QPC "to daily imbalances of 5 percent, and any charge for transportation customers' alleged use of ***other*** Questar Pipeline services purchased by [Questar] for its Sales Customers must acknowledge and reflect the existence of these existing rights currently available to transportation customers."[17]

UAE states that its second adjustment to daily imbalance Dths accounts for the times the Transportation Customers' and Sales Customers' imbalances move in opposite directions. UAE argues this adjustment is appropriate because Questar is not an interstate pipeline and QPC does not view Questar's Sales Customers and Transportation Customers as two different customers. UAE concludes it is reasonable to consider the extent to which, on average, Transportation Customers reduce Questar's use of storage to accommodate the imbalances of sales service customers. These adjustments result in an SNG revenue requirement for Transportation Customers of $337,275.

UAE also develops a Flat Fee of $0.00713 per Dth.[18] UAE recognizes that the socialized approach would mute price signals to customers causing the imbalances; on the other hand, it offers simplicity. Therefore, UAE recommends that Transportation Customers be given the

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[17] Post-Hearing Comments and Brief of the Utah Association of Energy Users, CIMA Energy Ltd., US Magnesium, LLC and Nucor Steel-Utah, September 23, 2015, p. 12.
[18] This number is arrived at by dividing UAE's revenue requirement of $337,275 by the total annual transportation Dths of 47,288,471.

ability to choose between a daily imbalance charge applied to Dths in excess of a 5 percent tolerance band and the Flat Fee.[19]

D. US MAG

US Mag does not support Questar's proposal as filed and questions the importance of reducing daily imbalances now when it has not been important for the past few decades. US Mag is not convinced that the Transportation Customers' additional time and resources necessary to achieve the increased accuracy are warranted. US Mag explains that under the monthly balancing regime, other than ensuring compliance with the monthly commodity balancing tolerance and Questar's OFOs, a Transportation Customer has had no reason to spend significant time and resources to refine its nominations process. US Mag suspects that some portion of the large variations in nominations versus usage identified in Questar's data reflects this practice.

US Mag maintains that an imbalance charge should not be based on a period when no incentives for daily nomination accuracy existed as Transportation Customers will respond to the incentives offered by an imbalance charge. Otherwise, the proposed Imbalance Charge will be inaccurate from the outset, and the underlying formula could lead to strange results. In addition, US Mag asserts the charge should be developed using real data and actual costs, with input from all affected parties, and should avoid unfairly burdening Transportation Customers beyond what is required.

US Mag suggests that a more reasonable approach to implementing the Imbalance Charge is that, for at least one year, any proposed imbalance charge should only be used to

[19] On September 23, 2015, Nucor filed post-hearing comments that reiterated its support of the ability of a Transportation Customer to choose between the daily imbalance charge for Dths in excess of a 5 percent tolerance band and the Flat Fee.

inform Transportation Customers of their imbalance cost. During this year US Mag recommends establishing a working group to: 1) refine costing principles for value-based rate determinations; 2) develop an effective customer communication channel to convey information about the potential new cost of nominating inaccurately; 3) design a better forecasting system for customers; and 4) explore the interclass dynamics of imbalances to determine whether there may be periods where Transportation Customers' daily imbalances actually benefit the system. Also, the working group should consider mitigating circumstances and the elimination of economic inefficiency. In addition, US Mag contends that line pack should be considered in evaluating Questar's system as a whole. US Mag asserts this lowest cost source of flexibility should be considered in any determination of system cost. US Mag also is concerned about implementing rates based on the value of service.

E. CIMA

CIMA does not support Questar's proposal. CIMA states four concerns relating to the proposed Imbalance Charge: 1) the Imbalance Charge was developed using a random one-year test period of Transportation Customer activity evaluated in isolation from the system; 2) some of the cost components used to develop the Imbalance Charge are "fictional or erroneous or may not actually be incurred;"[20] 3) the 5 percent tolerance band is overly restrictive except during critical day situations and is not used by any other distribution companies in the Western U.S.

[20] Direct Testimony of Matthew Medura, CIMA Direct Exhibit 1.0, May 5, 2015, p. 2.

where CIMA does business; and 4) Questar’s proposal does not allow for aggregation of customers.

CIMA maintains Questar’s proposal subjects Utah businesses to unfair and uncommon daily balancing limitations and charges not faced by businesses in surrounding states. Further, Questar’s proposal limits flexibility valuable to both Transportation Customers and their Agents. CIMA also believes that Questar’s proposed semi-annual rate adjustment schedule during 191 account pass-through proceedings is not reasonable.

CIMA proposes a transportation imbalance tolerance of at least 30 percent on non-critical days and asserts a tolerance level much greater than Questar’s proposed 5 percent is more commonplace. As an example, CIMA states that Southwest Gas’ Southern Nevada territory has a daily 25 percent tolerance that becomes more restrictive only during three successive stages of an OFO with associated penalties for each stage.

CIMA asserts the Imbalance Charge is unreasonable as it does not reflect actual costs incurred by Questar. Specifically, CIMA does not believe that nominations to/from Clay Basin actually take place for daily Transportation Customer imbalances. Rather Questar’s NNT service accounts for the total system imbalances automatically at Clay Basin.

CIMA recommends Questar’s volumetric rate used to determine its revenue requirement should be reduced from $0.52205 to $0.43327 to reflect changes to the QPC fuel gas reimbursement component and the Clay Basin fuel gas reimbursement component. CIMA asserts this adjustment reflects the difference between CIMA’s proposed current FERC Northwest Pipeline Rocky Mountain index price and Questar’s WACOG.

CIMA recommends that imbalances be monitored and managed at the Agent level in aggregate rather than at the individual customer level. CIMA proposes calculating and applying the daily imbalances at the Agent level in aggregate, as is currently done for commodity imbalances during OFO periods. CIMA notes this is a long-established practice and works efficiently. CIMA acknowledges some daily operational considerations may be relevant when evaluating the aggregate imbalance of a group of geographically diverse customers. CIMA maintains these could be addressed by allowing aggregation by receipt point or other mutually agreeable criteria.

To address these issues CIMA recommends continued collaboration and discussion among Questar, Transportation Customers, and their Agents, and further study and analysis. This analysis should include evaluation of Questar's system as a whole, implementation of a future test period, and exploration of ways to improve the accuracy of nominations and retention of the customer benefits of aggregation.

CIMA does not support the Flat Fee because many CIMA customers can and do provide daily nominations within 5 percent of their actual usage. In addition, CIMA points out Questar's nomination system works only in whole Dths, therefore, under Questar's proposal, customers using less than 10 Dth per day would not benefit from the 5 percent tolerance. CIMA asserts that aggregation at the Agent level would allow smaller Transportation Customers to participate with reasonable tolerance.

F. Summit

Summit does not support Questar's proposal. Summit asserts Questar's method to develop the revenue requirement is inaccurate. Summit recommends the Commission: 1) require

Questar to provide a more accurate and comprehensive analysis of the actual costs it seeks to assign to Transportation Customers; 2) require Questar to conduct a test period analysis and to compare Questar's measured and verified actual costs with those developed using its proposed method; 3) reject Questar's proposed daily imbalance tolerance window of 5 percent; and 4) require Questar to find a better approach to implementing and managing the imbalance penalty cost recovery process. Summit states that Transportation Customers are not opposed to paying for the services they use so long as the charges reflect actual costs.

Summit proposes that Questar's daily imbalance tolerance band of 5 percent should be rejected because Questar does not have the necessary telemetered service in place for Transportation Customers to monitor daily imbalances, and it is not the standard used by the majority of natural gas utilities. In addition, Summit points out that instead of identifying the actual SNG costs resulting from Transportation Customers' imbalances, Questar has chosen to use a theoretical cost structure to develop a revenue requirement, some of the components of which do not apply to all daily imbalance situations. Summit asserts that every cycle of every day each Dth is accounted for in flow reports provided by pipelines and storage facilities. Summit testifies the actual cost of service that Questar is seeking to have its Transportation Customers repay is an exact value that can be identified by auditing the actual activity Questar has performed during the test period. Summit believes that using actual asset usage to determine a revenue requirement would better align with Questar's objective of assigning costs to Transportation Customers for the services they use.

Summit proposes that Questar's WACOG for fuel gas reimbursement should apply only to those supplies originating from Questar Gas, not to supplies originating from a third party, the cost of which is currently $2.00 per Dth less than Questar's costs.

If a charge is to be implemented, Summit supports a Flat Fee. Summit asserts this method is not uncommon and would fairly recognize Transportation Customers' usage profiles that are extremely weather sensitive and daily usages that are too erratic for practical methods of forecasting. Further, Summit contends this type of proposal would not impose additional measurement equipment costs on Transportation Customers.

With regard to aggregation, Summit suggests Questar allow the Transportation Customers' Agents to be a customer of Questar Gas, via an agency agreement, whereby daily balancing would be assessed based on the entirety of each Agent's Transportation Customer base. Any imbalance penalties would be assessed to the Agent. Summit asserts under Questar's proposal Transportation Customers would have exposure to penalties when their activity may be benefiting Questar's overall system position. In cases where this is not true, Summit proposes penalties could be distributed on a pro-rata basis.

Summit believes Questar can achieve greater transparency by aggregating customers by Agents. In this way Questar can better determine which Agents are under-performing. In addition, Summit maintains that since most, if not all, Transportation Customers utilize Agents, it is more efficient for Questar to calculate and assess imbalance penalties to 13 Agents rather than to more than 300 individual customers. Summit supports continued discussion via a working group to find common ground.

G. Public Comments

Costco and Fresenius do not support Questar's proposal. Costco asserts that there is no operational reason to require daily balancing, and Questar's 5 percent tolerance is unreasonable. Costco also asserts that Questar's proposal is the most stringent one it has reviewed and that it is anti-competitive. Costco supports a pool balancing service that would provide the flexibility to stay within the 5 percent tolerance and avoid the Imbalance Charge.

Fresenius favors aggregation at the Agent level and mentions how unusual events make it difficult to predict its gas usage. Fresenius also discusses the financial complications of adjusting nominations when trying to bring a facility back in service. Fresenius states it is currently considering installing combined heat and power equipment at its facility, the analysis of which is being tempered due to start-up and downtime issues in conjunction with the proposed 5 percent imbalance tolerance level. Fresenius asserts using a large base of pooled customers in concert with real-time monitoring and predictive techniques should minimize gas storage issues.

IV. DISCUSSION, FINDINGS, AND CONCLUSIONS

Questar proposes its Imbalance Charge to achieve two principle objectives: 1) to charge Transportation Customers for the SNG services they use that are currently being paid for by Sales Customers, and 2) to improve the accuracy of Transportation Customer nomination practices. We agree that both of these objectives should be addressed and approve a charge designed to do so.

We base our conclusions in part on the undisputed facts that Questar uses QPC's NNT services to manage its nominations on QPC's system and Transportation Customers benefit from Questar's daily balancing service without charge. Specifically, it is undisputed that

Transportation Customers' daily imbalances are being managed by Questar on its system using SNG services currently paid for by Questar's Sales Customers. It is also undisputed that Transportation Customers' daily nominations do not always match their usage outside of a 5 percent tolerance band, both in the aggregate and even when netted with Questar's Sales Customers. Therefore, we find it reasonable to implement a new charge to account for Questar's management of its Transportation Customers' imbalances through the use of certain SNG services. We do not view this charge as a penalty, as suggested by some parties; rather, it is an allocation to Transportation Customers of a portion of Questar's costs for contracted SNG services incurred to manage daily imbalances. The record is clear these costs are caused in part by Transportation Customers whose actual transportation volumes are out of balance.

We find the record is clear that Transportation Customers are not consistently adhering to Section 5.09 of Questar's Tariff. This Tariff Section allows a daily imbalance tolerance window of ± 5 percent for Transportation Customer's delivered volumes of gas. Questar and the Division testify persuasively that these failures to comply have resulted in complications for Questar in managing its system and could result in interruption of service to Sales Customers. We recognize that Questar has not interrupted service to Sales Customers due to Transportation Customers' imbalances, but with the increase in the number of Transportation Customers in recent years and the fact that Transportation Customers account for 25 percent of the gas delivered to Questar's system, we conclude that incenting accurate nominations to ensure system reliability is in the public interest.

Both UAE and the Office provide information on the practices and balancing charges implemented by other natural gas distribution companies. No party, however, provides information identifying whether these other utilities manage their systems using NNT service. Additionally, we are convinced it is just and reasonable to require customers to pay for services from which they benefit. In other words, the evidence before us on the nomination practices of Transportation Customers and their growing reliance on various balancing services convinces us it is no longer appropriate for Sales Customers to bear the total costs of these services. Accordingly, we adopt in this order an Imbalance Charge to be imposed on Transportation Customers whose daily gas deliveries deviate from their transportation nominations. We now discuss how the charge will be calculated and implemented.

A. Tolerance Band

Some parties argue that a daily 5 percent balancing requirement is too strict, is unachievable absent telemetry, and does not reflect industry practice. In support of its proposal Questar refers to its existing Tariff Section 5.09 that states: "The Company will allow ± 5% of a customer's volumes delivered from upstream pipelines as a daily imbalance tolerance window." Additionally Questar argues that data demonstrates that Transportation Customers and their Agents can improve their nominations processes. Questar also asserts that if Transportation Customers will update their nominations daily their imbalances will improve. Moreover, no party adequately explains why the provision that has been in existence for over 20 years is no longer appropriate. We find Questar's tariff language referenced above, specifying a ± 5% tolerance band, continues to be reasonable.

B. Test Year

Some parties argue that Questar's use of an historic test year is unreasonable because it reflects a period in time when Transportation Customers manage imbalances under a monthly balancing regime. This, US Mag asserts, will result in an incorrect charge from the outset because the implementation of an imbalance charge will cause customers to change their habits. US Mag's assertion is tempered by other testimony stating it will be difficult to achieve daily imbalances within a 5 percent tolerance level and that it is unclear how many Transportation Customers will simply pay the new Imbalance Charge. As UAE notes, Utah Code Ann. § 54-4-4(3) requires the Commission to select a test period that, on the basis of evidence, best reflects the conditions a public utility will encounter during the period the rates will be in effect. Utah Code Ann. § 54-4-4(3)(b)(ii) provides for the use of an historic test year adjusted for known and measureable changes. Based on the testimony provided, we find insufficient evidence of known or measurable adjustments pertaining to the implementation of an imbalance charge. Therefore, we find the use of an historic test year reasonable. Moreover, the level of the charge will be re-examined in 191 account proceedings at least twice per year and will be adjusted to the degree Transportation Customers' conduct changes as a result of the charge.

C. Telemetry

In light of the first paragraph of Section 5.09 of Questar's Tariff[21] addressing gas usage monitoring responsibilities, we agree with the Office that it is the Transportation Customer's responsibility to monitor its gas usage. We recognize that other information such as heat content may be required to convert meter data from cubic feet to Dths. Questar testified during the August 26th hearing, however, that these data and other volume adjustment factors are "fairly

[21] Section 5.09 of Questar's Tariff states: "A transportation customer must monitor the amount of gas delivered to the Company's system from any upstream pipeline less fuel reimbursement and its usage of gas at its premises. If necessary, a customer must make adjustments to maintain a balance between gas received to the Company's system less fuel reimbursement and its usage. The Company may monitor customer usage through telemetered, electronic measurement equipment at the end use delivery site or otherwise."

static [types of] data."[22] That testimony ameliorates any concern regarding the need for such data to be adjusted for use in the daily nomination process. Accordingly, we find the arguments of UAE, CIMA, and Summit regarding the availability of gas usage data unpersuasive.

D. Choice of Fee for MT Customers

Questar proposed that the MT customers should be able to choose whether to remain with the existing MT balance charge or select a new charge. The Division disagrees, indicating these customers will choose the most beneficial rate, regardless of whether or not it leads to more correct nominations. We agree with the Division's assessment and approve only the Imbalance Charge for MT customers, in part to assure MT customers have a financial incentive to nominate accurately.

E. The Flat Fee as an Alternative to Questar's Proposed Imbalance Charge

As noted above, some parties recommend the Flat Fee as an alternative to Questar's proposed Imbalance Charge, or they recommend Transportation Customers be permitted to choose between Questar's proposal and the Flat Fee. The Flat Fee would spread the revenue requirement to be recovered through the Imbalance Charge to all Transportation Customers, not just to those whose daily gas deliveries fall outside the tolerance window. Thus it would provide no direct incentive to nominate accurately. We are persuaded by the evidence that the application of the Imbalance Charge to Dths outside of a 5 percent daily tolerance band will better support the goal of improving nominations practices. We also agree with Questar that if Transportation Customers are given the option of the Flat Fee or Questar's proposed Imbalance Charge it is

[22] August 26, 2015, Hearing Transcript, p. 131.

almost certain that Questar will not collect the approved revenue requirement. Therefore, we decline to implement the Flat Fee.

F. Imbalance Charge Components

We adopt Questar's proposed charge with the adjustments described below.

1. Transportation and QPC Fuel Gas Reimbursement

Based on the record, we are persuaded by UAE that the transportation component and associated QPC fuel gas reimbursement component should not be included in the Imbalance Charge. We find that the record is insufficient to conclude that the transportation component reflects an incremental cost incurred by Questar to manage Transportation Customer imbalances. In addition, we note that historic 191 account applications do not include a forecasted cost for T-2 rates; therefore, it is not a cost Questar currently incurs for its Sales Customers to manage imbalances. We recognize Questar's arguments that these costs are not sunk costs and represent a value of services received, but we do not find adequate evidence to justify inclusion of these costs at this time.

2. Clay Basin Fuel Gas Reimbursement

Based on the record, we find appropriate Questar's use of its WACOG to determine the Clay Basin fuel gas reimbursement component, updated as committed to by Questar to reflect the current Questar WACOG. This outcome is appropriate, particularly in light of the fact that Questar is responsible for managing both the Sales Customers' and Transportation Customers' imbalances on Questar Pipeline.

Table 2. Total Volumetric Charge Comparison

	Component	Proposed Volumetric Rate per Dth	Approved Volumetric Rate per Dth	Comments
1	Transportation	$0.17652	n/a	UAE adjustment accepted
2	No-Notice Transportation	$0.02852	$0.02852	
3	ACA Charge	$0.00140	$0.00140	
4	QPC Fuel Gas Reimbursement	$0.09124	n/a	UAE adjustment accepted
5	Clay Basin Demand	$0.09381	$0.09381	
6	Clay Basin Capacity	$0.02378	$0.02378	
7	Clay Basin Fuel Gas Reimbursement	$0.09263	$0.08194	Updated to reflect most recent pass-through filing. QPC's Park and Loan 1 fuel reimbursement rate of 2 percent multiplied by Questar's October 2015 191 account pass-through weighted average cost of gas of $4.09706.
8	Injection/Withdrawal Avg.	$0.01415	$0.01415	
	Total Volumetric Rate	**$0.52205**	**$0.24360**	

G. Netted Imbalance Volumes

1. Line Pack

UAE challenges Questar's proposed "netted imbalance volumes" of 3,333,731 Dths[23] used to determine its Imbalance Charge revenue requirement. UAE argues Questar's approach does not recognize that QPC's Tariff allows Transportation Customers a 5 percent tolerance level and that QPC has sufficient line pack to absorb some of the imbalance. UAE asserts "any charge for transportation customers' alleged use of ***other*** Questar Pipeline services purchased by

[23] Questar determines its "netted imbalance volumes" by netting all of the Transportation Customer imbalances on a daily basis and then summing these 365 daily values during the Test Year to arrive at a netted imbalance volume of 3,333,731 Dths.

[Questar] for its sales customers must acknowledge and reflect the existence of these existing rights currently available to transportation customers."[24] Questar explains that in using the QPC-provided NNT Service to manage its imbalances QPC considers the volumes nominated by Questar's Transportation Customers as "first through the meter," meaning they are always in balance. As such, QPC attributes any imbalances between actual deliveries and nominations to Questar, including those of Transportation Customers. Therefore, Questar argues, UAE's approach is inconsistent with how QPC charges Questar for SNG services.

We find Questar's explanation and argument persuasive and find that the development of the Imbalance Charge must recognize QPC's "first through the meter" balancing procedure as explained by Questar. We find it reasonable that since Transportation Customers must use Questar's system for their deliveries, the Imbalance Charge must reflect Questar's and QPC's contractual relationship rather than Transportation Customers' upstream rights on QPC. We also recognize that NNT Service has been employed by Questar for decades and no party has disputed Questar's use of NNT Service in any recent 191 account pass-through filing. We therefore reject UAE's adjustment.

2. When Transportation and Sales Volumes Move in Opposite Directions

UAE and Summit argue Questar's proposal does not reflect times when Transportation Customers' and Sales Customers' volumes move in opposite directions. UAE concludes it is reasonable to consider the extent to which, on average, Transportation Customers reduce Questar's use of storage to accommodate the imbalances of Sales Customers and therefore

[24] 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, September 23, 2015, p. 11.

proposes a reduction of 188,257 Dths to the netted imbalance volumes used by Questar to develop its Imbalance Charge.

We do not consider QPC's treatment of Questar's customers to be controlling for this issue. Moreover, we find that giving credit to Transportation Customers for imbalances that happen to occur coincidentally with Sales Customers' imbalances is not consistent with the goal of accurate nominations. Based on Questar's testimony that because Sales Customers have purchased services to remedy imbalances they do not need Transportation Customers' help to offset them, we find that Sales Customers do not rely on Transportation Customers' imbalances. Even though QPC treats them jointly, we agree that Sales Customers already have purchased services to remedy their own imbalances and, therefore, we reject this adjustment. We also find the Transportation Customers' need for upstream balancing services of Sales Customers supports our rejection of the netting proposal.

With these decisions the daily netted imbalance volume remains 3,333,731 Dths resulting in an SNG revenue requirement of $812,097 (*i.e.*, $0.24360 per Dth X 3,333,731 Dths). In order to develop the final Imbalance Charge we apply our decision above that the Imbalance Charge should be spread across all Dths outside of a 5 percent tolerance, *i.e.*, 9,128,985 Dths. This results in an Imbalance Charge rate of $0.08896 per Dth to be applied to daily volumes outside of a 5 percent tolerance applicable to Transportation Customers taking service under the MT, TS, and FT-1 rate schedules.

H. Small Customers

CIMA voices a concern pertaining to the imbalance tolerance level for customers using small amounts of gas and notes the nominations system is limited to whole numbers. The Office recommends that a minimum tolerance level of 1 Dth would address this issue and states that this would result in insignificant charges. Questar states its billing system could accommodate either rounding or a minimum tolerance level. Since Questar's billing system can accommodate rounding, we find that rounding for billing purposes will address CIMA's concerns and is reasonable.

I. Aggregation

UAE, CIMA, and Summit argue Questar's proposal does not take into consideration market efficiencies and advocate the ability to aggregate Dths by Agent or some other means. Summit suggests Agents could execute agreements with Questar to accommodate aggregation and also suggests general ways of managing and assessing the imbalances charges using aggregation. Questar points out that no evidence was provided to construct an Imbalance Charge rate assuming aggregation or to explain how customer billing would occur when nominations are inaccurate, or how Questar would enforce curtailments or usage restrictions among each Agent's group of customers. Absent changes to the rate structure to reflect aggregation, Questar will not collect the required SNG revenue.

The record does not support the arguments in favor of aggregation. Our mandate is to regulate Questar's relationship with its customers. Questar contracts with those customers. Allowing aggregation by Agents would put both of the objectives of the daily imbalance charge in jeopardy and could create artificial market incentives among Agents. We also agree with the double counting concerns expressed by Questar because daily imbalances already are aggregated in the rate calculation. For these reasons, we decline to adopt aggregation for the assessment of the daily imbalance charge.

J. Semi-Annual Updates

Questar proposes to update this rate in conjunction with each 191 account pass-through application, at least annually. The Division supports this proposal. CIMA asserts Questar's proposal is unreasonable and US Mag points out that the rate design could have some unintended consequences. We agree with Questar that eventually the updating of the new rate in 191 account pass-through proceedings will reflect a mechanical approach. But in the near future, since the Imbalance Charge is new, we find value in having it reviewed and evaluated in each 191 account filing and also in the upcoming 2016 Questar general rate case to determine whether Questar's stated objectives in this docket are being achieved and whether unintended consequences are occurring. Therefore, we find it is reasonable to update the charge both as proposed by Questar and in the 2016 general rate case. This will ensure that the data for this charge remains current and provides correct price signals for maintaining nominations accuracy.

We observe that Questar's Tariff Section 2.06 Gas Balancing Account Adjustment Provision may need to be revised to reflect the decisions in this order. We direct Questar to review this section of Questar's Tariff and propose necessary updates by no later than one month prior to the filing of Questar's next 191 account pass-through application.

In summary, we find implementation of an Imbalance Charge rate of $0.08896 assessed to all Transportation Customers' daily imbalances in excess of a 5 percent tolerance as proposed by Questar, is just and reasonable and in the public interest. This rate will be reviewed and evaluated in Questar's upcoming 2016 general rate case as well as in future 191 account pass-through filings to determine if the Imbalance Charge is achieving the intended objectives and whether changes should be implemented.

V. ORDER

Pursuant to our discussion, findings and conclusions:

1. Questar shall implement an imbalance charge of $0.08896 per Dth to be applied to daily volumes outside of a 5 percent tolerance applicable to Transportation Customers taking service under the MT, TS, and FT-1 rate schedules.
2. Questar shall file revised tariff sheets reflecting this decision within 14 days of the date of this order and containing a proposed effective date.
3. Questar shall review Tariff Section 2.06 Gas Balancing Account Adjustment Provision and file necessary updates reflecting the decisions in this order by no later than one month prior to the filing of Questar's next 191 account pass-through application.

DATED at Salt Lake City, Utah, this 9th day of November, 2015.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#270446

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 9th day of November, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

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