

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION AND COMPLAINT OF
US MAGNESIUM, LLC AGAINST
DOMINION ENERGY UTAH

Docket No. 17-057-13

DIRECT TESTIMONY OF WILLIAM F. SCHWARZENBACH

FOR DOMINION ENERGY UTAH

January 12, 2018

DEU Exhibit 2.0

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Will Schwarzenbach. My business address is 333 South State Street, Salt Lake City, Utah.

Q. What is your title and area of responsibility?

A. I am employed by Questar Gas Company dba Dominion Energy Utah (Company) as the Manager of Gas Supply. I am responsible for state Gas Supply matters in Utah and Wyoming. My qualifications are included in DEU Exhibit 2.1.

Q. Please describe your experience relevant to this docket?

A. I have worked for Dominion Energy Utah for 13 years. During this time I have worked in the System Planning group within Engineering and the Gas Supply department. As Manager of Gas Supply I am also directly involved in the daily management of purchasing and nominations of gas supply and I was very involved in the system interruption that occurred on January 6, 2017.

Q. What is the purpose of your testimony in this Docket?

A. The purpose of my testimony is to provide a timeline of the gas supply of US Magnesium, LLC (US Magnesium) on January 6th and 7th of 2017, and to discuss how the Company followed its Tariff during this system interruption. I will also rebut some of the statements made by Roger Swenson and Mike Tucker.

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II. INTERRUPTION

Q. Will you please provide a timeline of the interruption that occurred on January 6, 2017 and ended on January 7, 2017?

A. Yes. On January 6, 2017, the Company determined that an interruption would be required on its system for applicable sales and transportation customers.

Q. Does the Company's tariff provide guidance about how much notice needs to be given to customers?

A. Yes. Section 3.02, "Periods of Interruption" dictates that customers should be given at least two hours' notice to interrupt. Under the subsection "Schedule of Interruption" it states, "Upon notice from the Company, interruptible customers are required to interrupt as soon as is operationally possible, but no later than two hours from notice."

Q. Did the Company follow this tariff provision?

A. Yes. As Mr. Rickenbach explains in his testimony, the account management group sent voicemails, emails and text messages to all of the customers just after 11:00 a.m. on January 6, 2017. As DEU Exhibits 1.5 and 1.6 show, the email directs customers to "interrupt as soon as possible, but in no case more than two hours from this notice."

Q. Does US Magnesium agree that the Company's notice was sufficient under the Tariff?

A. No. That is the main issue in this complaint. US Magnesium believes that a direct call to the control room is the only notification that would meet the Tariff requirement. The testimony that US Magnesium submitted in this matter testimony suggests that the personal phone call, text messages, cell phone calls and emails do not constitute notification. This seems to be the only issue that the Utah Public Service Commission (Commission) needs to decide.

42 **Q. Did Dominion Energy Utah's Gas Supply group make any notifications, in addition to**
43 **those detailed in Mr. Rickenbach's testimony?**

44 A. Yes. On Friday, December 30, 2016, at 9:35 a.m., the Gas Supply group sent an email to all
45 Marketing Agents warning them that cold temperatures were expected and that nominating
46 parties needed to ensure their customers have adequate supply. On January 6, 2017, the
47 Dominion Energy Utah Gas Supply group also sent an email to all of the Marketing Agents
48 that nominate gas letting them know that the Company had called an interruption.

49 **Q. Mr. Rickenbach has indicated that US Magnesium did not change its usage as a result**
50 **of the notifications it received during January 6th and 7th, 2017. Did US Magnesium's**
51 **Marketing Agent change US Magnesium's nomination for gas deliveries on the**
52 **Dominion Energy Utah system on January 6, 2017?**

53 A. Yes. As DEU Exhibit 2.2 shows, US Magnesium's Marketing Agent reduced US
54 Magnesium's daily nomination from 19,615 Dth to 15,000 Dth plus fuel gas reimbursement
55 of 315 Dth. This 15,000 Dth is the amount of firm capacity US Magnesium has in their
56 contract. US Magnesium's Marketing Agent reduced the US Magnesium nomination of gas
57 supplies to the amount that US Mag was entitled to use on that day. DEU Exhibit 2.2 also
58 shows US Magnesium's usage during this period. As the data shows, US Magnesium
59 reduced a small amount during the middle of the night, but its usage was overall unchanged
60 during January 6th and 7th.

61 **Q. On line 251 of Mr. Swenson's testimony he states: "When Mr. Tucker retrieved his cell**
62 **phone and text messages that evening he had already made sure there was plenty of gas**
63 **coming to the system from the US Magnesium supplier." Does Exhibit 2.2 confirm this**
64 **statement?**

65 A. No. To the contrary, US Magnesium only had enough gas nominated to the Dominion
66 Energy Utah system to meet its firm contract limit. US Magnesium actually used far more
67 gas than had been delivered on its behalf. US Magnesium did not have adequate supply
68 coming from its supplier and continued to burn more gas than its supplier had provided. As
69 a result, as shown on the "penalty dths" line on US Magnesium Exhibit 5 page 3, US
70 Magnesium used a total of 5,362 Dth (4,117 Dth on Jan 6 and 1,245 Dth on Jan 7). These
71 were volumes that had been brought on the system for use by sales customers.

72 **Q. When the interruption was lifted on January 7th, did you communicate again with US**
73 **Magnesium's Marketing Agent?**

74 A. Yes. My department communicated with all of the Marketing Agents during the evening of
75 January 6th to let them know that we anticipated lifting the interruption during the day on
76 January 7, 2017. We followed up on the morning of January 7, 2017 to ensure that all
77 Marketing Agents were aware that the interruption had been lifted.

78 **Q. Did US Magnesium's Marketing Agent make any changes to US Magnesium's**
79 **nominations after receiving this information?**

80 A. Yes. US Magnesium's Marketing Agent increased nominations for January 7th to 20,221
81 Dth/day, which included fuel gas reimbursement.

82 **III. PENALTIES**

83 **Q. You indicated earlier that US Magnesium used a total of 5,362 Dths during the**
84 **interruption period, above its firm contract limit and above the amount delivered to the**
85 **Dominion Energy Utah system on its behalf. Does the Company's Utah Natural Gas**
86 **Tariff No. 500 (Tariff) provide any penalties for interruptible customers who fail to**
87 **interrupt when properly called upon to do so?**A. Yes. Under the "Failure to Interrupt"
88 subsection of section 3.02 it states, "A customer who fails to interrupt when properly called
89 upon by the Company to do so will incur a \$40-per-decatherm penalty for all interruptible
90 volumes utilized during the course of an interruption. We followed these provisions of our
91 Tariff to penalize US Magnesium.

92 **Q. US Magnesium claims this is unjust. How do you respond?**

93 A. This penalty language was incorporated into the Tariff during the Company's last general
94 rate case (Docket No. 13-057-05). *See* page 6 of Partial Settlement Stipulation, Docket No.
95 13-057-05, and Report and Order, Docket No. 13-057-05 dated February 21, 2014. The
96 Commission has already deemed the penalty, and the other provisions set forth in the Tariff
97 to be just and reasonable.

98 **Q. Was US Magnesium a party in that docket?**

99 A. Yes. The Commission granted US Magnesium intervention in that docket on November 7,
100 2013.

101

IV. FIRM DEMAND

102 **Q. Does the Tariff impose any other requirements upon interruptible customers who do**
103 **not interrupt when properly called upon to do so?**

104 A. Yes. Section 3.02 of the Tariff provides, "If a customer fails to interrupt when called upon
105 by the Company to do so, then beginning on July 1st following the failure to interrupt, the
106 customer will be moved from the interruptible rate schedule to an available firm rate
107 schedule for three years for those interruptible volumes it failed to interrupt." This provision
108 was also deemed to be just and reasonable in Docket No. 13-057-05. *See* Partial Settlement
109 Stipulation, Docket No. 13-057-05, page 6, and Report and Order, Docket No. 13-057-05
110 dated February 21, 2014.

111 **Q. Mr. Swenson argues that DEU cannot provide firm service to US Magnesium above**
112 **15,000 Dth per day based on usage on the feeder line and any constraints and that,**
113 **therefore, this requirement is unjust. Is this a true statement?**

114 A. Though, historically, the Company has not been able to serve US Magnesium at a firm level
115 above 15,000 Dth because of system constraints, it can do so now. Specifically, US
116 Magnesium can now be served at a higher level because the Company has contracted for
117 Firm Peak hour services. Based on its usage on January 6th/7th, its new firm demand will
118 increase from 15,000 Dth to 19,117 Dth.

119 **Q. Does the Tariff offer any further insight into Mr. Swenson's concern?**

120 A. Yes. The Tariff is quite specific. Section 3.02 of the Tariff states, "To the extent that the
121 Company determines that providing firm service is operationally infeasible, then the
122 customer will pay a demand charge that would have applied for those interruptible volumes it
123 failed to interrupt for three years, beginning on July 1st following the failure to interrupt, but

124 will continue to receive interruptible service.” Based on the Tariff provision, US Magnesium
125 needs to pay the demand charge regardless of whether the Company can serve them on a firm
126 basis at 19,117 Dth.

127 **V. PROPOSED TARIFF LANGUAGE**

128 **Q. In its Reply to the Company’s Answer in this docket, US Magnesium offers alternative**
129 **Tariff language detailing the appropriate means of providing notice of interruptions.**
130 **How do you respond?**

131 A. The Company opposes changing the language during the course of this docket. The
132 Company is in the process of revising the portion of its Tariff that pertains to transportation
133 customers, including the interruption section. The Company intends to file an Application
134 for Tariff Changes later this spring and suggests that we address these matters in that docket.
135 Though some of the language would be acceptable to Dominion Energy Utah (utilizing
136 reasonable efforts to provide back-up notifications, for example), the US Magnesium
137 language incorporates confusing terms like “best reasonable efforts.” It potentially imposes
138 an unreasonable burden upon Dominion Energy Utah to place live, personal direct phone
139 calls to its more than 500 interruptible customers. Therefore, the Company opposes that
140 suggested language.

141 **Q. Can you summarize your testimony?**

142 A. The sole issue in this proceeding is whether the Company provided adequate notice to US
143 Magnesium of the interruption. Mr. Rickenbach and I provide evidence that the Company
144 made actual contact with US Magnesium in several forms (direct personal call, text
145 messages, voice messages and email). The Company followed the terms and conditions of

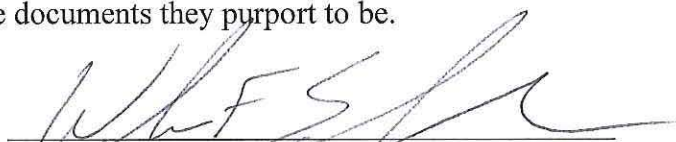
146 its Tariff in implementing the interruption, including those pertaining to notice. US
147 Magnesium, after receiving actual notice of the interruption, failed to heed the Company's
148 proper directive to interrupt its usage and, as a result, should be subject to the consequences
149 set forth in the Tariff.

150 **Q. Does this conclude your testimony?**

151 **A. Yes.**

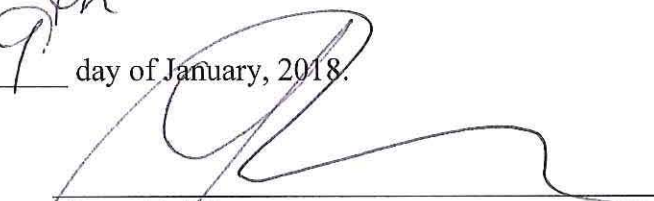
State of Utah)
) ss.
County of Salt Lake)

I, Will F. Schwarzenbach, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, any exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

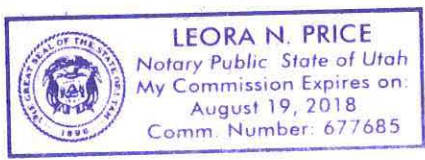


William F. Schwarzenbach

SUBSCRIBED AND SWORN TO this 9th day of January, 2018.



Notary Public



CERTIFICATE OF SERVICE

This is to certify that on January 12, 2018, a true and exact copy of the foregoing **DIRECT TESTIMONY OF WILLIAM F. SCHWARZENBACH** was emailed to the following:

Gary A. Dodge
Phillip R. Russell
HATCH, JAMES & DODGE
gdodge@hjdllaw.com
prussell@hjdllaw.com

Division of Public Utilities

Patricia Schmid
pschmid@agutah.gov
Justin Jetter
jjetter@agutah.gov
Chris Parker
chrisparker@utah.gov
William Powell
wpowell@utah.gov

Office of Consumer Services

Steven Snarr
stevensnarr@agutah.gov
Robert Moore
rmoore@agutah.gov
Michele Beck
mbeck@utah.gov
Cheryl Murray
cmurray@utah.gov

/s/Leora Price

Qualifications of William F. Schwarzenbach III

Current Responsibilities

As Manager of Gas Supply, I am responsible for managing the gas purchasing and nominations for Dominion Energy Utah. I supervise the activities of daily demand forecasting, gas purchasing for Dominion Energy Utah sales customers, managing cost-of-service supplies, managing gas supplies delivered to the Dominion Energy Utah city gates for transportation customers, managing imbalances with interconnecting pipelines, SENDOUT modeling and managing the Dominion Energy Utah Integrated Resource Planning (IRP) process. I am also responsible for analysis of transportation, storage, peak-shaving, and no-notice transportation contracts. I have been in the Gas Supply department since 2011.

Prior Responsibilities and Experience

I was first employed by Dominion Energy Utah in 2004 as an Operations Engineer in the Engineering Department. While in the Engineering Department I worked mainly on system planning and analysis that focused on peak-day planning of the Dominion Energy Utah system.

Prior to Dominion Energy Utah, I worked for Washington Gas from 1998-2004 in its engineering department. While with Washington Gas, my primary responsibility was also system design to meet peak-day requirements.

Educational Background

I received a Bachelor of Science degree in Civil Engineering from Virginia Tech in 1998. I received a Masters of Business Administration degree from George Mason University in 2004. I am a registered Professional Engineer (PE) in the State of Utah.

Us Magnesium - January 6,7, 2017 - Scheduled Quantity vs. Usage

