

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE TARIFF  
APPLICATION OF DOMINION ENERGY  
UTAH TO MAKE TARIFF  
MODIFICATIONS RELATING TO  
TRANSPORTATION SERVICE

Docket No. 18-057-T04

**REBUTTAL TESTIMONY OF ABIGAIL THOMAS**

**FOR DOMINION ENERGY UTAH**

September 26, 2018

**DEU Exhibit 1.0R**

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**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Abigail Thomas. My business address is 333 South State Street, Salt Lake City, Utah. I filed direct testimony on behalf of Dominion Energy Utah (DEU or Company) in this docket.

**Q. What is the purpose of your rebuttal testimony?**

A. The purpose of this testimony is to address issues raised in the testimonies of Mr. Higgins, Mr. Chisholm, and Mr. Orton.

**Q. What issues will you address?**

A. I will address comments from representatives of the Utah Division of Public Utilities (Division), the Utah Office of Consumer Services (Office), and the Utah Association of Energy Users (UAE). The Division, Office and UAE all seem to agree that the Company’s proposal to modify the Tariff will help reduce confusion. However, Mr. Higgins and Mr. Chisolm oppose what they call “stacking of penalties.” Mr. Higgins’ also offers testimony opposing some of the penalty amounts, whether those penalties are leveled at the individual customer level or aggregated at the supplier level, and whether penalties should be charged for positive daily imbalances during a Hold Burn to Scheduled Quantity OFO. Mr. Orton proposed some wording changes. I will address all of these issues.

**Q. Do you agree with Mr. Higgins claim that the \$25 penalty for violating the Hold Burn to Scheduled Quantity OFO “has no basis in cost causation, is unduly punitive and should be rejected”?**

A. No. Section 5.09 of the Company’s Utah Natural Gas Tariff No. 500 (Tariff) already provides a \$25 penalty “in cases where a nominating party or customer has repeatedly ignored, after written notice, the Company’s reasonable balancing restrictions”. The new

25 Hold burn to Scheduled Quantity OFO will be called in times where a simple restriction on  
26 daily imbalance would not solve a supply issue.

27 The proposed \$25 penalty is also consistent with similar penalties charged by California  
28 utilities. Southern California Gas Company Tariff Rule No. 30 uses the term “low  
29 operational flow orders” for times that supply is low. There are 6 stages each with a  
30 tolerance for imbalance. Stage 5 allows a customer to be out of balance by up to -5% and the  
31 penalty for exceeding that is \$25 per Dth plus the commodity cost. The next level is EFO  
32 (Emergency Flow Order) and the imbalance tolerance is zero. This compares to Hold Burn  
33 the Scheduled Quantity. Penalties in this case are \$50 per Dth plus commodity cost. Pacific  
34 Gas and Electric Company has stages and penalties that match those of Southern California  
35 Gas Company in Rule No 14.

36 It is important that the DEU penalty is consistent with those of the California utilities because  
37 the DEU system is directly connected to California via interstate natural gas pipelines, and  
38 DEU competes with the California markets for supply when supply is limited. If the penalty  
39 in the DEU Tariff is lower than the penalties leveled in California, customers or their agents  
40 may be economically incentivized to redirect gas from Utah to California in order to avoid  
41 the higher penalties in California or to receive higher prices for the gas. If the value of the  
42 gas in California exceeds the gas cost plus penalty in Utah, there is economic incentive to  
43 bypass Utah, incur the penalty, and sell the gas in California. In such circumstances, a  
44 transportation customer may be using gas meant for DEU’s firm sales customers, and DEU  
45 could be left without sufficient gas for the day.

46 **Q. Mr. Higgins suggests that Hold to Burn to Scheduled Quantity OFO penalties should**  
47 **be aggregated at the supplier level. How do you respond?**

48 A. Doing so would compromise DEU’s ability to effectively manage its system in times of  
49 limited supply. An agent may have customers spread in different areas such as St. George,  
50 Logan and Salt Lake City. If such an agent were permitted to aggregate volumes for  
51 purposes of penalty assessment, it could conceivably over-deliver volumes to St. George and

52 under-deliver to Salt Lake City and escape any penalty. If supplies were limited in Salt Lake  
53 City, extra volumes in St. George will not aid the situation and missing volumes in the Salt  
54 Lake Valley would certainly exacerbate an already difficult supply situation. Customers  
55 must be incented to deliver sufficient volumes for their usage *to the location where the gas*  
56 *will be burned*. To allow customers to deliver volumes elsewhere and thereby avoid a  
57 penalty could defeat the purpose of imposing a penalty to begin with.

58 Additionally, the Utah Public Service Commission (Commission) has already addressed the  
59 aggregation issue in its order in Docket No. 14-057-31 when it stated that there currently is  
60 no way that DEU “would enforce curtailments of usage restrictions among each Agent’s  
61 group of customers. . . . The record does not support the arguments in favor of aggregation.”  
62 The Company agrees with the Commission and believes the same reasoning applies here.

63 **Q. Mr. Higgins argues that “on days which the Hold Burn to Scheduled Quantity**  
64 **restriction is in effect, there should be no charges for daily imbalances in excess of the**  
65 **5% tolerance”. Do you agree with this statement?**

66 A. Mr. Higgins makes a good point. DEU agrees that that when Hold Burn to Scheduled  
67 Quantity OFO is in place, a positive daily imbalance (packing) should be permitted without  
68 penalty. DEU suggests adding the following to the end of the HOLD BURN TO  
69 SCHEDULED QUANTITY section on page 5-17 “Positive daily imbalances (packing) will  
70 be allowed during a Hold Burn to Scheduled Quantity restriction, if there is a limit to  
71 allowable positive daily imbalances, the Company will detail that limit in the communication  
72 surrounding the restriction”.

73 However, the Company opposes any modification to the Transportation Imbalance Charge  
74 because removing the charge would require manual calculations which would be  
75 administratively more expensive than the charges themselves. While it is administratively  
76 burdensome to waive the relatively minor Transportation Imbalance Charge, the Company  
77 believes it reasonable to forgo the higher cost daily imbalance restriction penalties associated  
78 with positive imbalances during Hold Burn to Scheduled Quantity OFO restrictions.

79 **Q. Mr. Higgins and Mr. Chisolm both suggest that if the penalties for Hold Burn to**  
80 **Scheduled Quantity OFO and Interruption that occur at the same time, a customer who**  
81 **violates both should only pay the larger of the two penalties, not both. How do you**  
82 **respond?**

83 A. The penalties are for two separate issues and both cause harm to the Company and firm  
84 customers. Therefore, both should be handled separately. The penalty associated with an  
85 interruption is related to system capacity and facilities and the penalty associated with Hold  
86 Burn to Scheduled Quantity restrictions is for supply problems. If a customer violates two  
87 restrictions they should pay two penalties.

88 **Q. What other modifications does Mr. Higgins propose?**

89 A. On lines 333-350 of his testimony Mr. Higgins proposes a number of changes to the wording  
90 in the Failure to Interrupt portion of 3.02. I am providing his proposed changes below,  
91 marked in red:

92 333 If a customer fails to interrupt when properly called upon by the Company to do  
93 334 so, then beginning on July 1st following the failure to interrupt, the customer will  
94 335 may be moved from the interruptible rate schedule to an available firm rate  
95 336 schedule for three years for those interruptible volumes it failed to interrupt so  
96 337 that the total firm amount for the next three years is equal to the amount burned  
97 338 during the interruption. If the customer is in this three-year firm period and uses  
98 339 volumes in excess of their firm amount during an interruption, the customer's  
99 340 total firm amount may will be adjusted equal to the amount burned on the most  
100 341 recent interruption and the three-year penalty period may will begin again on the  
101 342 following July 1st. To the extent that the Company determines that providing firm  
102 343 service is operationally infeasible, then the customer will may be required to pay  
103 344 a demand charge that would have applied for those interruptible volumes it failed  
104 345 to interrupt for three years, beginning on July 1st following the failure to  
105 346 interrupt, but will continue to receive interruptible service. At the conclusion of  
106 347 the three year period the firm amount may be reduced upon request by the  
107 348 customer. The conditions specified in this paragraph will be imposed unless the  
108 349 customer is able to demonstrate that a failure to interrupt was inadvertent and due  
109 350 to circumstances that are not likely to reoccur.

110 **Q. When was this language added to the tariff?**

111 This interruption language was originally agreed in a stipulation in Docket No. 13-057-05,  
112 and later approved by the Commission. At that time the DPU, UAE and Company were in  
113 agreement about the language. The Company would propose that the language be left as it  
114 was written in the stipulation.

115 **Q. Did the Company propose any changes to this language in its proposal?**

116 A. The only change the Company proposed in this paragraph is an insertion to clarify what  
117 happens when the customer fails to interrupt for a second time while already paying for some  
118 firm capacity due to a previous failure to interrupt penalty. This can be seen in DEU exhibit  
119 1.3.

120 **Q. Mr. Higgins states there are times when a customer’s “failure to interrupt is due to**  
121 **inadvertent or unusual circumstances that are not likely to repeat themselves” and that**  
122 **these customers should not be automatically required to purchase the three-years of**  
123 **firm service. How do you respond?**

124 A. DEU has no ability to police customers as to whether failure to interrupt was “inadvertent  
125 and unlikely to happen again” and the failure to interrupt causes the same harm to the  
126 Company regardless of the reason a customer fails to interrupt. This is also a requirement  
127 agreed to in a stipulation in Docket No. 13-057-05. At that time the DPU, UAE and  
128 Company were in agreement about the language.

129 **Q. Please describe the Division’s concerns regarding the Failure to Interrupt portion of**  
130 **3.02?**

131 A. Mr. Orton voices concern over the wording added to the failure to interrupt provision  
132 addressed in Mr. Higgins testimony above. In lines 132-138 of his testimony, Mr. Orton  
133 states he would like the Company to rephrase the “firm amount for the next three years” to  
134 make it clear that the penalty firm amount is the same for each of the next three years. The  
135 Company proposes to edit that sentence as follows: “firm amount for *each of* the next three  
136 years”. The intent of inserting this language was to address what happens when a customer

137 in a penalty period incurs another penalty for failure to interrupt. Adding the words “each  
138 of” adds even more clarification.

139 **Q. What other concerns did Mr. Orton raise?**

140 A. Mr. Orton also expressed concern about the “latitude the Gas Utility has” in interpreting  
141 tariff language such as “A penalty of \$25/Dth may be imposed...” and “repeatedly ignore  
142 restrictions”. He goes on to say that these phrases have added to confusion in the past. I  
143 disagree that these provisions are the ones that have created the “confusion surrounding  
144 interruptible provisions”.

145 **Q. What is your response to Mr. Orton’s concerns?**

146 A. The authority given to the Gas Utility to use these provisions is necessary. Depending on  
147 customer and nominating party behavior DEU can use these penalties as necessary. This  
148 flexibility can allow DEU the ability to specify restrictions based on market and operational  
149 conditions. The use of more prescriptive language would require every potential situation to  
150 be identified and defined in the Tariff. This would be difficult as market and operational  
151 conditions are always changing.

152 Additionally, the quoted language exists in the current Tariff in the section about daily  
153 imbalances. The Company has not employed the penalty in recent memory and would only  
154 do so in egregious circumstances. The Company is also cognizant of its statutory obligation  
155 to refrain from treating customers in a disparate manner. Should the Company have a need  
156 to utilize the penalty in the future; it will do so in accordance with its statutory obligations.

157 **Q. You addressed the American Natural Gas Council, Inc.’s (ANGC) concerns about  
158 imposing multiple penalties earlier in your testimony. Did ANGC raise any other  
159 issues?**

160 A. Yes. Mr. Chisholm indicates on line 47 of his testimony that some transportation customers  
161 have been denied an increase in interruptible contract limit. The Company has no record, nor

162 do any current employees have recollection of this occurring. On September 18, 2018, DEU  
163 reached out to Mr. Chisholm to learn more about this concern and have yet to hear which  
164 customers were denied, or the circumstances of the denial. While this is certainly not a  
165 common practice, denial of interruptible service could occur due to physical limitations at a  
166 specific location. In most instances the Company would allow an additional TSI contract for  
167 customers with no cost unless it is used.

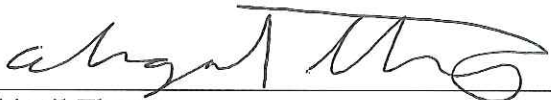
168 **Q. Does that conclude your rebuttal testimony?**

169 **A. Yes.**



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

I, Abigail Thomas, 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, the 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.

  
\_\_\_\_\_  
Abigail Thomas

SUBSCRIBED AND SWORN TO this 26<sup>th</sup> day of September, 2018.



  
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Notary Public