

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION
OF QUESTAR GAS COMPANY TO
INCREASE DISTRIBUTION NON-GAS
RATES AND CHARGES AND MAKE
TARIFF MODIFICATIONS

Docket No. 07-057-13

**REBUTTAL TESTIMONY OF TINA M. FAUST
FOR QUESTAR GAS COMPANY**

September 22, 2008

QGC Exhibit 10.0R

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I. INTRODUCTION

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

3 A. My name is Tina M. Faust. My business address is 180 East First South Street, Salt Lake
4 City, Utah.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by Questar Gas Company (Questar Gas or Company) as its Manager of
7 Gas Supply.

8 **Q. What are your qualifications to testify in this proceeding?**

9 A. I have listed my qualifications in QGC Exhibit 10.1R.

10 **Q. Have you previously filed testimony in this case?**

11 A. No, I have not.

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

13 A. I will address portions of the direct testimony filed by Kevin C. Higgins on behalf of the
14 Utah Association of Energy Users Intervention Group (UAE). Specifically, I will address
15 statements of Mr. Higgins that respond, in part, to direct testimony of Brent Bakker, filed
16 December 19, 2007, proposing changes to the Company's Utah Natural Gas Tariff PSCU
17 400 (Tariff) Article 5 regarding the treatment of transportation service imbalance charges.
18 This issue is identified as Issue No. 30 in QGC Exhibit 7.1R, attached to the testimony of
19 Mr. Gary Robinson.

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II. IMBALANCE CHARGES

21 **Q. UAE believes that the current Tariff Sections 5.04 and 5.11 offer sufficient
22 incentives to transportation customers to stay within the imbalance tolerance
23 window. Do you agree?**

24 A. No. The current tariff provisions do not always provide sufficient incentives to the
25 transportation customers to stay within the imbalance tolerance window. In fact, in some
26 circumstances, the current provisions provide incentives for customers to stay out of
27 balance for a period of time. For example, a transportation customer that under delivers

28 its nominated volumes to the Company creates a negative imbalance and “drafts” the
29 Company’s system. In that instance, the Company may need to purchase additional
30 natural gas supplies, perhaps at peaking prices, or pull natural gas from storage, in order
31 to meet the needs of the firm sales service customers at that time. Later, when it has
32 become known that the transportation customer was drafting the Company’s system, and
33 when the transportation customer is finally required, under the current Tariff provision, to
34 either deliver the undelivered volumes of natural gas or pay for those undelivered
35 volumes, the customer may deliver volumes at a much lower price than the Company
36 paid for the additional supplies during the “draft” event. In such cases, the transportation
37 customer loses nothing, and perhaps benefits by using the Companies existing volumes of
38 gas and replacing them later at much lower prices. All other customers ultimately bear
39 the costs of delivering low priced gas at the expense of using higher priced gas during the
40 “draft” event. If the customer does not resolve its imbalance, the Company is left with
41 few options in terms of replacing the natural gas taken but not delivered into the system
42 and/or making its firm sales service customers whole. With the proposed Tariff changes,
43 there will be a stronger incentive for customers to avoid imbalances or resolve them on a
44 timely basis.

45 Alternatively, a transportation customer may cause too much natural gas to be delivered
46 into the Company’s system, a practice known as “packing” the system. If the system is
47 full because transportation customers have packed the system, Questar Gas Company
48 may not have capacity sufficient to enable it to purchase and receive low-priced natural
49 gas on the open market. Under the existing Tariff provisions, a customer may benefit
50 from receiving deliveries of more expensive gas later at the lower prices it paid for the
51 gas it used to pack the system. Again, the firm sales service customers lose in this
52 scenario because they must forego the low-priced supplies.

53 The proposed cash-out provisions are specifically designed to prevent transportation
54 customers from creating an imbalance situation to the detriment of the firm sales service
55 customers.

56 **Q. The UAE has raised concerns that the pricing formulas proposed by the Company**
57 **will enable the Company to manipulate the cash-out provisions to the detriment of**
58 **the transportation customers. How do you respond to this concern?**

59 A. The cash-out provision applies only to a transportation customer that fails to resolve its
60 imbalance within the tolerance and timeframe prescribed in the Tariff. A transportation
61 customer has ample opportunities to remedy a monthly imbalance prior to any cash-out
62 by purchasing or selling imbalance gas, trading imbalances with other customers, or by
63 nominating imbalance payback to or from Questar Gas Company (with Company
64 permission). The cash-out provision is only triggered if the customer chooses not to
65 remedy the imbalance in another way.

66 **Q. Does the Company take steps to ensure that transportation customers remain in**
67 **balance, aside from the Tariff remedies?**

68 A. Yes. In addition to readily available imbalance information provided via daily and
69 monthly reports that transportation customers view over the internet, my staff and I go to
70 great lengths to advise transportation customers when imbalances are occurring, and to
71 encourage them to remedy any imbalances.

72 **Q. The UAE also object to the use of the SoCal index for cashing out an imbalance of a**
73 **customer that delivers its supplies into the Company's distribution system at or**
74 **downstream of Indianola. Please respond to this objection.**

75 A. The SoCal index is most reflective of the prices for the supply that Southern Utah
76 transportation customers encounter. Questar Pipeline (QPC) and Northwest Pipeline
77 (NWP) index prices (the other two possible index prices) are not reflective of the prices
78 for the supply that southern Utah transportation customers deliver or should deliver to the
79 Company's distribution system. For example, supplies delivered to the Company's
80 WECCO tap will command prices that are consistently much higher than QPC and NWP
81 index prices. The best surrogate for prices delivered at WECCO off of Kern River
82 Pipeline (Kern) is the SoCal index. (There is no published Kern index price for
83 WECCO.)

84 Revenues from imbalance charges are credited to the 191 Account. Without being able
85 to use the SoCal index as proposed, the Company will not always collect the necessary
86 revenues via imbalance cash out charges to cover the costs associated with the
87 corresponding imbalance. The net costs will then be borne by the Company's firm sales
88 service customers through the amortization of the 191 Account. Since a transportation
89 customer has ample opportunity to remedy a monthly imbalance prior to any cash out by
90 the Company, the Company believes that transportation customers should be these costs
91 and not all other customers. Mr. Higgins is attempting to convince the Commission that
92 the use of the SoCal index is excessive and unduly punitive. However, by encouraging
93 the Commission to reject the Company's proposed use of the SoCal index price, he is
94 advocating that firm sales service customers pick up part of the costs associated with
95 southern Utah transportation customers' imbalances.

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

97 A. Yes.

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

I, Tina M. Faust, 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.

Tina M. Faust

SUBSCRIBED AND SWORN TO this 22nd day of September 2008.

Notary Public