INFORMAL COMPLAINT

Complaint # 1565

Utility Company Questar Gas

New | Add Company

CUSTOMER INFORMATION

Customer Name:	US Magnesium	**Phone Number:**	(801) 534-1407
Other Contact Info	Lee Brown	**Other Phone:**	
Account Number:		**Email Address:**	
Customer Address:	238 North 2200 West		
Customer Address:			

City: Salt Lake City **State:** UT **Zip Code:** 84116

COMPLAINT INFORMATION

Complaint Type Inquiry **Date Received:** 7 /16/2008 **Date Closed:** 7 /29/2008

Complaint Received By: Rea **DPU Analyst Assigned:**

Utility Company Analys **Company at Fault:** ☐

Complaint Description: **Actual Slam Case:** ☐ **Actual Cram Case:** ☐

Refer to filed correspondence.

Complaint Response:

Contracts attached to correspondence.

Questar Gas Company, at all times, complied with the provisions of its Tariff and all applicable statutes, rules and regulations and, accordingly should not be required to pay U.S. Magnesium's additional costs associated with the change in interconnect point.

Background

U.S. Magnesium is an industrial customer with two transportation contracts. The first is an Interruptible Transportation Service Agreement dated July 19, 2001 for the interruptible transportation of a maximum of 30,000 Dth per day (the IT Agreement). The second is an FT-2 Firm Transportation Service Agreement dated July 1, 2006 for the transportation of a maximum of 8,000 Dth per day (the FT-2 Agreement).

U.S. Magnesium's complaint stems from an event in April of this year, when Questar Gas required U.S. Magnesium to source its transportation volumes from an interconnect point off of the Kern River Pipeline, rather than U.S. Magnesium's preferred interconnect point.

Ordinarily, U.S. Magnesium was able to have its gas delivered to the Questar Gas system from Questar Pipeline Company's system at various points along the east side of the Wasatch Front. However, in early April, Questar Gas's system was under construction in a number of areas. Two of its major feeder lines were being rerouted and, simultaneously, were being tested to ensure their integrity was sound. In order to ensure the safety of those working on those lines, Questar Gas was forced to reduce the pressure to those lines. Additionally, the temperatures were lower than normal for that time of year, usage by firm sales service customers was high, and Questar Gas did not have access to stored natural gas from the Clay Basin Storage Facility (Clay Basin) because Clay Basin was undergoing maintenance and testing as well. These circumstances, together, created a situation where Questar Gas' system was becoming limited in its ability to provide service to its firm sales customers. In order to alleviate the pressure on its system, and to ensure a reliable flow of natural gas to its firm sales customers all along the Wasatch Front, Questar Gas exercised its right to redirect U.S. Magnesium's volumes to another interconnect point on the Questar Gas system.

In order to address the temporary operational issues on its system, Questar Gas asked U.S. Magnesium to deliver all of its volumes from an interconnect with the Kern River Pipeline, closer to U.S. Magnesium's facility. Utilizing the interconnect point off of the Kern River Pipeline eliminated the need to transport U.S. Magnesium's volumes across the Salt Lake Valley, through the main feeder lines serving Questar Gas' system. By designating another interconnect point, Questar Gas was able to avoid curtailing U.S. Magnesium's interruptible flows and was able to continue service to U.S. Magnesium. Questar Gas required all of U.S. Magnesium's volumes to be sourced from the Kern River interconnect from April 2nd to April 6th, 2008. From April 8th through April 11th, Questar Gas allowed U.S. Magnesium to source half of its supply from its preferred interconnect points along the Wasatch Front and required that the other half of its supply be sourced from the Kern River interconnect. On April 12th, U.S. Magnesium was allowed to source all of its natural gas flows from its preferred interconnect points along the Wasatch Front.

Unfortunately, U.S. Magnesium apparently incurred additional charges because it was required, for a short period of time, to obtain gas supplies that would be transported on the Kern River Pipeline.

Questar Gas' Legal Obligations

The Questar Gas Company Tariff for Gas Service in the State of Utah, No. 400 (the Tariff) clearly gives Questar Gas the right to designate the interconnect points from which transportation volumes are delivered into its system. Section 5 of the Tariff, the section governing transportation service, provides

This service applies to transportation of customer-acquired gas through the Company's distribution system from an approved interconnect point between the Company's distribution system and an upstream pipeline to a redlivery meter serving customer's premises.

Tariff at § 5.01 (emphasis added). Both the IT Agreement and the FT-2 Agreement provide that the transportation service is subject to the terms and conditions of the Tariff and the Tariff gives Questar Gas the right to approve or disapprove of interconnect points. Questar Gas endeavors to accommodate customer's requests for particular interconnect points but, in this case, could not do so without compromising its ability to serve its firm sales customers.

Additionally, the Tariff terms governing both firm and interruptible transportation customers provides additional authority for Questar Gas to designate alternative interconnect points.

The FT-2 Agreement

Section 5.06 of the Tariff governs FT-2 service and provides that,

Volumes must be transported to Questar Gas' system under firm transportation capacity on upstream pipelines to interconnect points approved by Questar Gas or on alternative transportation to approved interconnect points if customer's upstream firm transportation is disrupted.

Tariff at § 5.06 (emphasis added). Questar Gas plainly has the right to approve or disapprove of an interconnect point. Although, typically, Questar Gas is able to allow U.S. Magnesium to deliver to the interconnect point of its choice, Questar Gas could not do so in this case without compromising its ability to continue to serve its firm service customers. As soon as Questar Gas was able, it allowed U.S. Magnesium to return to the interconnect point of its choice.

The IT Agreement

The majority of U.S. Magnesium's transportation volumes at issue here were interruptible volumes transported under the IT Agreement. Under the terms of the IT Agreement and the Tariff, these volumes were subject not only to redirection to other interconnect points, but to curtailment, meaning that Questar Gas could have declined transportation service for those volumes altogether. The IT Agreement is subject to the provisions of the Tariff, which provides that,

Interruptible services are available only to the extent that in the Company's judgment it has available capacity and/or gas supply to provide this service without impairing its ability to serve firm sales service customers. All interruptible services are subject to interruption.

Tariff at § 3.01 (emphasis added). The Tariff further provides that

Service under interruptible service rate schedules is subject to temporary periods of interruption upon notice by the Company, whenever the Company determines interruption is required to serve firm sales service customers. Service may also be interrupted . . . for maintenance or replacement of facilities. Service will not be recommenced until the Company, at its discretion, can fulfill the demand of its firm service customers.

Tariff at § 3.02 (emphasis added)

The majority of U.S. Magnesium's volumes at issue here were subject to interruption in circumstances like those here. Questar Gas had no obligation to continue interruptible service for U.S. Magnesium at all during the construction and maintenance activities. However, in an effort to minimize the adverse impact on U.S. Magnesium, Questar Gas offered an alternative interconnect point so that volumes could continue to flow to U.S. Magnesium's facilities.

Plainly, Questar Gas has the right (and perhaps the obligation) to take the very action it took here, in order to preserve service to its firm sales service customers. Questar Gas' actions were, at all times, in accord with its obligations under the applicable agreements, Tariff provisions, statutes, rules and regulations.

No Discriminatory Treatment

Throughout its history, Questar Gas has asked other customers similarly situated to U.S. Magnesium to change interconnect points. When operational issues have resulted in system constraints, Questar Gas has asked other customers to utilize alternate interconnect points and, on occasion, those other customers have incurred additional transportation costs as a result.

In this instance, there were no other similarly situated customers. U.S. Magnesium requires very high volumes and, because its facility is located so far from the Wasatch Front interconnect points, it takes substantial pressure for the natural gas to reach the U.S. Magnesium facility. Because U.S. Magnesium is the only transportation customer with such high volumes at such a great distance from its preferred interconnect point, the strain it places upon Questar Gas' system is substantially greater than those of other transportation customers. Even if Questar Gas had directed other customers to other interconnect points, it would have had little or no impact on Questar Gas' system, and would not have alleviated the system pressures. Because there were no other similarly situated customers in this instance, and because, historically, other similarly situated transportation customers have been subjected to similar treatment, Questar Gas' actions here were not discriminatory.

Remedy Not Available

Part, but not all, of the relief requested by U.S. Magnesium is available in this proceeding. U.S. Magnesium has asked for a determination that Questar Gas has violated the Tariff, rules, regulations and/or statutes that govern it. This determination falls squarely within the Utah Public Service Commission's (the Commission) jurisdiction. However, U.S. Magnesium also asks that the Commission order Questar Gas to pay the costs that U.S. Magnesium incurred in procuring its natural gas supplies that would be transported on the Kern River Pipeline, rather than on Questar Pipeline Company's system. This remedy is not available with the Commission. The Commission is vested with the authority to make determinations about whether or not Questar Gas violated provisions of its Tariff, or any other statutes, rules or regulations. As discussed at length above, Questar Gas' actions in this case were in accord with all such authority. To the extent that U.S. Magnesium seeks additional remedies here, such remedies are not available.

Conclusion

U.S. Magnesium's claims in this case are not supported by the applicable contract language, the Tariff or the applicable statutes, rules and regulations.

Additional Information:

July 28, 2008

Mr. Lee R. Brown
Vice President
US Magnesium LLC
238 North 2200 West
Salt Lake city, UT 84116

Dear Mr. Brown:

The Division of Public Utilities has received a response from Questar Gas regarding your informal complaint. The Division has reviewed this response and does not find that Questar has violated any Public Service Commission statute, rule or company tariff.

I have attached a copy of Questar's response for your review. If you want to proceed with a formal complaint through the Public Service Commission, please let me know and I can file your complaint with the Commission.

Sincerely,

Rea B. Petersen, Manager
Customer Service

Encl.

Save as PDF | Print Report | Save | Exit