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Division of Public Utilities

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**Memorandum**

TO: Public Service Commission

FROM: Division of Public Utilities  
Philip Powlick, Director,  
Artie Powell, Energy Manager  
Marlin Barrow, Technical Consultant  
Doug Wheelwright, Utility Analyst

DATE: March 12, 2009

RE: Formal Complaint of US Magnesium against Questar Gas  
Docket No. 08-057-20

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**I. ISSUE**

US Magnesium LLC is an industrial customer of Questar Gas Company (Questar Gas or the Company) with both firm and interruptible transportation agreements. During the period from April 2, 2008 to April 11, 2008, Questar Gas required US Magnesium to have all or a portion of its gas delivered off the Kern River pipeline. On July 14, 2008, US Magnesium filed a formal complaint against Questar Gas alleging that it was being discriminated against and penalized in this situation, and requested that the utility compensate US Magnesium for the \$87,000 in damages for additional costs due to the required delivery point change.<sup>1</sup>

This complaint was revised February 5, 2009 and indicated that US Magnesium was singled out and was the only company required to change its delivery point. US Magnesium believes that all interruptible and then firm transportation customers should have been required to alter their delivery and that one company should not be responsible for the additional expense.

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<sup>1</sup> Formal Complaint by US Magnesium against Questar Gas Company, July 14, 2008.

The revised complaint requests that the Commission find that Questar did wrongfully discriminate, and that the utility does not have the ability to place such a cost burden upon one customer. The estimated cost to US Magnesium was revised to \$79,000 and US Magnesium indicated that it may seek relief in District Court to be made whole.<sup>2</sup>

## **II. RECOMMENDATION**

After a review of the information provided by both Questar Gas and US Magnesium, the Division believes that there has not been a violation of any Public Service Commission (PSC) state statute, rule or Company tariff. The requirement to have US Magnesium receive its gas from Kern River was due to the specific pressure requirements and physical location of US Magnesium and was not discriminatory.

## **III. BACKGROUND AND ANALYSIS**

U.S. Magnesium's complaint stems from a 10 day event in April 2008, 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. On July 14, 2008, US Magnesium filed a complaint concerning this situation. On July 28, 2008, the Division informed US Magnesium by letter that it had reviewed Questar Gas' response to the complaint and concluded that Questar Gas had not violated any Public Service Commission (PSC) state statute, rule or Company tariff.

U.S. Magnesium is a Questar Gas 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 second is an FT-2 Firm Transportation Service Agreement dated July 1, 2006 for the transportation of a maximum of

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<sup>2</sup> Revised Formal Complaint by US Magnesium against Questar Gas Company, February 5, 2009

8,000 Dth per day. Each of these agreements is subject to Questar Gas' tariff, and pertinent tariff provisions are discussed below.

The Interruptible Transportation Agreement is subject to § 3.01 and § 3.02 of the Questar Gas Tariff which state,

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.

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 to inject gas into storage reservoirs or 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.

All interruptible service is subject to simultaneous interruption and is required to interrupt as soon as is operationally possible not to exceed two hours, however, system emergencies, irregularities of weather or other operating conditions may require immediate interruption. However, at times there may be a need for interruption on an isolated portion of Questar Gas' system. If the simultaneous interruption of a different portion of the system will not assist in remedying the situation that gives rise to the need for interruption, customers in those areas will not be subject to simultaneous interruption.

At the time of an interruption, the Company shall use its best efforts to advise customers of the cause of the interruption. When feasible, interruptions may be partial. In such event, interruptible transportation and sales customers will be required to interrupt partially on a pro rata basis based on representative daily use levels. However, customers who are unable to partially interrupt or who prefer to interrupt 100%, if at all, may, at the Company's discretion, be allowed to interrupt on an all-or-nothing basis. Initially customers who are allowed to interrupt on an all-or-nothing basis will be required to interrupt 100%. The Company will endeavor to balance interruptions between customers who interrupt partially and those who interrupt on an all-or-nothing basis over the course of a year, but in no event shall the Company be liable if it is unable to do so.

The Questar Gas Company Tariff for Gas Service in the State of Utah, Sheet No. 400 gives Questar Gas the right to designate the interconnect points from which transportation volumes, for both IT and FT customers, are delivered into its system. Section 5.01 of the Tariff states,

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 redelivery meter serving customer's premises.

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.

In early April 2008, Questar Gas' system was under construction in several areas. Two of its major feeder lines were being rerouted and were being tested to ensure their integrity. In order to ensure safety and comply with all DOT regulations, Questar Gas was required to reduce the pressure to those lines. The repair of a leak in Feeder Line 6 caused by a third party required a portion of that line to be temporarily taken out of service and gas flows to be rerouted. During this same time, Questar Gas did not have access to stored natural gas from the Clay Basin Storage Facility due to maintenance and testing at that facility. During this time the temperature was lower than normal for that time of year. The repairs to the system and the unusually cold temperatures put a strain on the system requirements. This series of events created a situation where the Questar Gas system was becoming limited in its ability to provide service to its firm sales customers.

On previous occasions, US Magnesium indicated to Questar Gas that it requires at least 170 psi to operate its equipment, although Questar Gas is not contractually obligated to provide any specific pressure. With the distance to the US Magnesium facility and the disruptions in the Questar Gas distribution system, it was not possible for Questar Gas to deliver gas at the

minimum level of 170 psi. In this situation, Questar Gas requested that US Magnesium take gas from the Kern River pipeline in order to receive gas at US Magnesium's required pressure. All firm and interruptible transportation customers other than US Magnesium could have continued to operate at the lower gas pressures available without redirection or interruption.

As noted above in Section 5.06 of the Tariff, Questar Gas is allowed to use alternate interconnect points. Neither general interruptible service nor US Magnesium's specific interruptible service was curtailed. Since no interruptible service was curtailed, it appears that Questar Gas determined that curtailment of interruptible service would not cure the delivery problem affecting volumes under US Magnesium's firm transportation contract.

Questar Gas required all of U.S. Magnesium's firm transportation volumes to be sourced from the Kern River pipeline interconnect from April 2 to April 6, 2008, and from April 8 through April 11, 2008, Questar Gas allowed U.S. Magnesium to source half of its supply from its preferred interconnect point and the other half from the Kern River pipeline interconnect. Daily volumes during this period range from 10,000 to 19,500 Dth. US Magnesium's calculation of \$79,000 in additional costs includes the full volume of gas used during this period.

The revised complaint states that US Magnesium feels that the actions of Questar Gas were discriminatory and identifies Utah Code § 54-3-8 which states,

A public utility may not; (a) as to rates, charges, services, facilities or in any other respect, make or grant any preference or advantage to any person, or subject any person to any prejudice or disadvantage; and (b) establish or maintain any unreasonable difference as to rates, charges, service or facilities, or in any other respect, as between localities or as between classes of service.

Questar Gas could have provided gas a lower pressure but recognized the specific pressure and operational needs of this customer, as well as the fact that volumes from US Magnesium's preferred interconnect point would have to be transported across constrained Salt Lake valley Questar Gas lines for delivery US Magnesium's plant. In order to accommodate US Magnesium's specific need, Questar Gas required US Magnesium to have its gas supplied from

Kern River. This was not discriminatory but was structured to accommodate the higher pressure needs of this customer and to address operational constraints caused by work on Questar Gas' main feeder lines in the Salt Lake valley.

#### **IV. CONCLUSION**

The Division believes that there has not been a violation of any Public Service Commission (PSC) state statute, rule or Company tariff in this situation. The requirement to have US Magnesium receive its gas from Kern River in April 2008 was due to construction on the Questar Gas system and the specific pressure requirements of US Magnesium. This was not discriminatory since other users did not require this amount of pressure and could continue to receive the lower pressure service and due to US Magnesium's physical location. The FT-2 Firm Transportation Service Agreement and the Interruptible agreements between US Magnesium and Questar allows for changes in the interconnect points.