

Gary A. Dodge, #0897
HATCH, JAMES & DODGE
10 West Broadway, Suite 400
Salt Lake City, UT 84101
Telephone: 801-363-6363
Facsimile: 801-363-6666
Email: gdodge@hjdllaw.com
Attorneys for US Magnesium LLC

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of the Application of
Questar Gas Company to Increase
Distribution Rates and Changes and
Make Tariff Modifications**

Docket No. 13-057-05

PREFILED REBUTTAL TESTIMONY OF
ROGER SWENSON [TS TARIFF
ISSUES]

US Magnesium LLC (“US Mag”) hereby submits the Prefiled Rebuttal Testimony of
Roger Swenson in this docket on TS tariff issues.

DATED this 12th day of December, 2013.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
Attorneys for US Mag

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 12th day of December, 2013, on the following:

Questar Gas Company:

Colleen Larkin Bell	colleen.bell@questar.com
Jenniffer Nelson Clark	jennifer.clark@questar.com
Barrie McKay	barrie.mckay@questar.com

Division of Public Utilities:

Patricia Schmid	pschmid@utah.gov
Justin Jetter	jjetter@utah.gov
Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov
Carolyn Roll	croll@utah.gov

Office of Consumer Services:

Brent Coleman	brentcoleman@utah.gov
Michele Beck	mbeck@utah.gov
Danny Martinez	dannymartinez@utah.gov

Utah Association of Energy Users:

Gary Dodge	gdodge@hjdllaw.com
Kevin Higgins	khiggins@energystrat.com
Neal Townsend	ntownsend@energystrat.com

Nucor Steel:

Damon E. Xenopoulos	dex@bbrslaw.com
Jeremy R. Cook	jrc@pkhlawyers.com

Federal Executive Agencies:

Karen White	Karen.White.13@us.af.mil
Christopher Thompson	Christopher.Thompson.5@us.af.mil
Gregory Fike	Gregory.Fike@us.af.mil
Thomas Jernigan	Thomas.Jernigan@us.af.mil

US Magnesium:

Roger Swenson	roger.swenson@prodigy.net
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Summit Energy:

Larry R. Williams	larry@summitcorp.net
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Utility Cost Management Consultants:

Floyd J. Rigby	FloydR@ucmc-usa.com
Travis R. Rigby	TravisR@ucmc-usa.com
Bruce Floyd Rigby	Bruce@ucmc-usa.com

The Home Builders Association of the State of Utah:

Ross Ford	ross@utahhba.com
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Dunford Bakers, Inc.:

Dale Hatch	dhatch@dunfordbakers.com
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Utah Asphalt Pavement Association:

Douglas E. Griffith	dgriffith@keslerrust.com
Reed Ryan	reed@utahasphalt.org

Emery County Economic Development:

Michael McCandless	mikem@emery.utah.gov
David Blackwell	daveb@emery.utah.gov

Industrial Gas Users:

William J. Evans	bevans@parsonsbehle.com
Vicki M. Baldwin	vbaldwin@parsonsbehle.com

/s/ _____

BEFORE

THE PUBLIC SERVICE COMMISSION OF UTAH

Rebuttal Testimony of Roger Swenson

on behalf of

US Magnesium LLC

[TS Tariff Issues]

Docket No. 13-057-05

December 12, 2013

1 **REBUTTAL TESTIMONY OF ROGER SWENSON - TS TARIFF ISSUES**

2

3 **INTRODUCTION**

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

5 A. My name is Roger Swenson. My business address is 1592 East 3350 South, Salt
6 Lake City, Utah.

7 **Q. By whom are you employed and on whose behalf are you testifying in this**
8 **matter?**

9 A. I am employed by E-Quant Consulting LLC (E-Quant) as an energy consultant. I
10 am testifying on behalf of US Magnesium LLC.

11 **Q. Did you provide direct testimony previously in this matter?**

12 A. Yes.

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

14 A. My testimony is filed in response to testimony filed by Michael R. McGarvey on
15 behalf of Summit Energy LLC regarding two changes that have been proposed to
16 the Transportation Service (“TS”) tariff language by Questar Gas Company
17 (“Questar” or the “Company”) in this docket.

18 **Q. What TS tariff changes have been proposed by Questar?**

19 A. The Company proposed two changes to the language of Section 5.01 of the TS
20 tariff, with no explanation or justification other than an oblique claim that the
21 changes are necessary “to clarify Tariff consistent with current Company

22 practices.” (Questar Exhibit 3.37). The first proposed change adds broad language
23 to the “Applicability” section to give Questar sole discretion to require
24 transportation customers to use alternate delivery points. The second proposed
25 change adds a new “Upstream Capacity” section to require transportation
26 customers to provide any (unspecified) “measurement information and other
27 information” requested by Questar on a daily basis. (Questar Exhibit 3.37).

28 **Q. What was Mr. McGarvey’s response to these tariff language changes?**

29 A. Mr. McGarvey pointed out that the proposed changes are unclear and ambiguous,
30 were not been adequately explained or supported, and are inconsistent with
31 industry practices. (Direct Testimony of Michael R. McGarvey).

32 **Q. What is your response to Mr. McGarvey’s testimony?**

33 A. I agree with Mr. McGarvey and I applaud his thoroughness in catching these
34 confusing proposed language changes. I agree that the Commission should reject
35 both of them. In addition, I would like to note that some of the information that
36 Questar might require with respect to “upstream capacity” is commercially
37 sensitive, and that there are better ways to accomplish what I believe Questar is
38 trying to accomplish.

39 **Q. Can you shed any light on the Company’s possible intent in proposing the
40 first language change regarding delivery points?**

41 A. Yes. I believe the Company intends to clarify that a transportation customer must
42 identify approved delivery points, and that the Company can require a customer to
43 move back to those approved delivery points (from a flex delivery point) when

44 necessary. That is consistent with current practice and I do not object to a change
45 in the tariff to clarify the same.

46 **Q. How about the second proposed language change regarding upstream**
47 **capacity?**

48 A. It appears that the Company wants to require all firm TS volumes to be
49 transported to the Company's system under firm upstream transportation
50 arrangements.

51 **Q. Do you agree that a change to require firm upstream capacity is necessary to**
52 **make the tariff "consistent with current Company practices?"**

53 A. No. Based on my experience, the proposed change is not consistent with current
54 Questar practices. It is a requirement to which I have never been exposed and as
55 to which I have never been asked to provide proof. Moreover, it is unfair,
56 unreasonable, unnecessary and improper.

57 **Q. Please explain.**

58 A. US Magnesium's TS service arrangements with Questar involve only the
59 delivery of US Magnesium's purchased gas supplies on the Company's system
60 under strict guidelines associated with balancing and nominations. They involve
61 only the movement of gas from a city gate receipt point on the Company's system
62 to US Magnesium's plant. The circumstances as to how and under what
63 arrangements US Magnesium's natural gas supplies were delivered to the
64 Company's city gates is not relevant to the Company, is commercially sensitive,

65 and should not be a factor in contracting for transportation service. Any shortfall
66 or excess of gas brought to the Company's system different from US
67 Magnesium's actual use are properly and adequately dealt with in the tariff's
68 imbalance provisions.

69 **Q. Does US Magnesium currently provide information to the Company about its
70 upstream transportation arrangements for its firm TS volumes?**

71 A. No. In fact, US Magnesium has no upstream transportation arrangements of any
72 type. Rather, it contracts with gas suppliers to provide firm natural gas supplies to
73 the Company's city gates. US Magnesium looks for suppliers with a wide
74 diversity of gas supplies and delivery paths so that, as adverse circumstances
75 develop on any given pipeline or in any given supply field, US Magnesium's risk
76 of non-delivery of gas can be mitigated.

77 **Q. Would requiring US Magnesium to contract for or prove access to firm
78 upstream capacity provide any legitimate value to Questar?**

79 A. No. My understanding of the problem that the Company is attempting to resolve
80 with the proposed language change is its current inability to narrowly target only
81 those gas supplies within a large pool of gas supplies delivered to its system that
82 are intended to be delivered on to customers on an interruptible basis. In other
83 words, if a large gas supplier nominates a large pool of gas to the city gates for a
84 variety of customers holding both firm and interruptible TS delivery rights, when
85 a portion of those gas supplies fails to show up, Questar does not know whether it

86 was the gas supplies intended for firm TS deliveries or the gas supplies intended
87 for interruptible TS delivery that did not appear. Questar is apparently unable to
88 target for interruption only the gas supplies intended for interruptible TS delivery.
89 However, neither the language proposed by Questar in its exhibit, nor alternative
90 language designed to require a TS customer to prove that it holds firm upstream
91 capacity, would solve this problem.

92 Having a firm upstream transportation contract does not assure volume
93 deliveries matching customer usage, if the nominations are not made correctly or
94 if gas supplies are disrupted for any reason. For example, if an upstream pipeline
95 has a compressor failure it may have to cut volumes of flow even if there is a firm
96 underlying transportation or supply contract. Similarly, if the supply source that
97 is delivering into a firm upstream transportation contract has a problem, then
98 volumes delivered to the Company will be cut even if firm upstream contracts
99 exist. Therefore, neither of these circumstances would provide certainty of supply.
100 US Magnesium's approach to make sure there is a diversity of supplies and
101 pipeline delivery paths makes more sense for supply security.

102 If any particular gas supplier's nominated supplies fail to show up at the
103 city gates under circumstances that require interruption of some gas deliveries,
104 only that particular supplier's customers should be affected. In such
105 circumstances, Questar should, as needed, require interruption of interruptible TS
106 volumes intended for delivery to customers of the affected supplier and then, to

107 the extent necessary, interruption of even firm TS delivery volumes of that
108 supplier. To the extent possible, customers whose gas supplies were delivered
109 should not be affected.

110 **Q. What is your thought as to why these proposals have been made?**

111 A. My fear is that the Company may believe that there are some questionable gas
112 suppliers or specific gas supplies with significant delivery issues that could cause
113 delivery shortfalls and trigger an interruption of all TS interruptible and IS gas
114 deliveries. Even if so, however, the fact that a few customers with insecure gas
115 supplies might cause problems for the Company or other customers does not
116 warrant the proposed tariff changes, and does not transform the TS transportation
117 tariff into a gas supply service.

118 **Q. Can you suggest a better approach to insuring that gas supplies are available**
119 **for TS customers so that customers that are not causing these issues will not**
120 **be burdened?**

121 A. Yes, there are several possibilities. As explained above, even having a firm
122 upstream transportation contract will not make shortfall problems go away. The
123 balancing provisions of the tariff must be structured properly, to provide accurate
124 incentives and to allocate costs to those who cause the costs. Moreover, Questar
125 could require an upstream gas supplier with multiple customers to designate
126 which customers and volumes should be cut in which order when some of that
127 supplier's gas volumes fail to show.

128 In addition, I believe it makes sense for a new entity to be introduced into
129 the interface between the Company and its TS customers to institute trading of
130 imbalances on a more real time basis, and potentially even provide no-notice gas
131 supplies or manage real time purchase of gas supplies on an as-needed basis.
132 Perhaps this entity could be a non-profit co-operative not owned or controlled by
133 the utility that is funded through the hefty administrative charge pool of funds that
134 has, given the increased level of TS customers, grown to roughly \$1.4 million.
135 This entity could also provide for the disposition of gas that TS customers were
136 previously required to offer to sell to the Company when interrupted. That way,
137 volumes that might otherwise have led to imbalance issues can be managed and
138 interruptible customers can again receive value for providing back up gas supplies
139 – this time to firm TS customers.

140 **Q. What would you propose to do to explore this proposal?**

141 A. I propose that a working group of interested customers and regulators be tasked
142 with exploring the concept of an energy co-operative to provide these types of
143 ancillary services, including imbalance trading, gas exchange and back-up gas
144 supplies. Other options to address the Company’s concerns could also be
145 explored.

146 **Q. Are there other reasons that an energy co-operative-type solution would be**
147 **useful?**

148 A. Yes. Issues have been raised by various customers such as asphalt production

149 companies concerning how difficult it is for them to manage nominations and gas
150 associated with changing schedules. An energy co-operative could help these
151 types of customers deal with real time nominations and redirection of gas
152 balances. Perhaps Questar is not in a position to help these types of customers,
153 but a non-profit co-operative could offer low-cost market solutions for them.

154 **Q. Does this conclude your rebuttal testimony?**

155 A. Yes.