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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of the Formal Complaint
Against Questar Gas Company Regarding
Nomination Procedures and Practices for
Transportation Service Customers**

Docket No. 14-057-19

**COMPLAINT, REQUEST FOR
DECLARATORY AND INJUNCTIVE
RELIEF, AND REQUEST FOR
AGENCY ACTION**

This Complaint is filed by the Utah Association of Energy Users, ATK Propulsion Systems, American Pacific Corporation, Hexcel Corporation, Intermountain Healthcare, May Foundry & Machine Company, US Magnesium, LLC, CIMA ENERGY LTD, Summit Energy, LLC, Seminole Energy Services, L.L.C., and Utility Cost Management Consultants (“Complainants”) pursuant to Utah Code Ann. §§ 54-3-1, 54-3-2, 54-3-3, 54-3-7, 54-3-8, 54-3-23, 54-4-1, 54-4-4, 54-4-7 and 54-7-9, Commission Rule § R746-100-3, Questar Gas Company Tariff, Article 5, and the Partial Settlement Stipulation dated January 7, 2014 and Commission Report and Order dated February 21, 2014 in UPSC Docket 13-035-05.

Complainants hereby complain of Questar Gas Company and allege and represent as follows:

1. Complainants are Utah industrial and business customers of Questar Gas Company (“QGC”) who now or may purchase firm and/or interruptible transportation services (“TS”) from QGC pursuant to Article 5 of the QGC tariff, and companies who supply natural gas to Utah TS customers.

2. In its recent general rate case, UPSC Docket 13-057-05 (“2013 GRC”), QGC proposed certain changes to TS tariff nomination language, to which some parties strongly objected. In rebuttal testimony, QGC witness Tina Faust argued that the proposed tariff language changes would help address problems and issues that QGC had encountered during and as a result of gas supply disruptions and resulting curtailments on December 5, 2013. Ms. Faust conceded, however, that the proposed TS language changes were “just one part” of a “multi-prong solution,” and represented that QGC would address such issues and solutions with its TS customers, their gas suppliers, Quester Pipeline Company (“QPL”) and others, that “additional tariff changes might be necessary,” and that QGC would “address the other parts of a global solution in the near future in a separate docket.” (Rebuttal Testimony of Tina M. Faust, December 13, 2103, UPSC Docket 13-057-05, at lines 65-71).

3. Consistent with Ms. Faust’s rebuttal testimony, QGC and several 2013 GRC intervenors filed a Partial Settlement Stipulation Regarding TS Tariff Language on January 7, 2014 (“TS Stipulation”). The TS Stipulation included minor agreed-upon revisions to TS tariff language, but otherwise called for the creation of a nomination and scheduling work group to

“pursue a more holistic approach as suggested in Ms. Faust’s testimony to address issues and problems relating to interruption and tariff language changes.” (TS Stipulation, ¶ 5).

4. The TS Stipulation also required the Company, the settling parties and other interested entities to “collaboratively explore additional changes to the language of Section 5.01 and 5.07 of the Company’s tariff to address interruption and related concerns and issues.” (TS Stipulation, ¶ 8).

5. In its Report and Order issued on February 21, 2014 (“Order”), the Commission approved the TS Stipulation, including its requirement for a “holistic” and “collaborative” approach to addressing nomination and scheduling issues identified as a result of the December 5, 2013 gas supply disruptions and TS curtailments, and referred to QGC’s stated intention and expectation to propose further tariff changes. (Order at 38-41).

6. QGC and QPL subsequently convened a “Nomination and Scheduling Working Group” to explore a “global solution” to interruption, nomination and scheduling issues identified in the testimony, discussions, TS Stipulation and Order in the 2013 GRC. During the first two meetings, parties addressed some of the concerns and issues contemplated by the TS Stipulation, including the informal gas supply “pooling” services and privileges that have long been available to TS customers at QGC’s city gate receipt points (“City Gates”), the expressed desire of QPL to utilize “electronic confirmations” at the City Gates rather than “manual confirmations” as previously used, and the creation of “formal” pooling arrangements to accommodate the needs of all parties, as contemplated by the TS Stipulation and Order. Following such discussions, QGC/QPL agreed to prepare and circulate prior to a meeting scheduled for May 13, 2014, proposed tariff language and/or pooling contracts necessary to

“formalize” the longstanding, informal pooling services and privileges available to Utah TS customers.

7. Rather than circulating draft tariff or contract language as contemplated, however, at and immediately prior to the scheduled Working Group meeting, QGC and QPL abruptly notified TS customers and Working Group members that they intended to unilaterally: (i) impose electronic nominations beginning July 1, 2014, (ii) terminate “informal” pooling services and privileges that had been available to TS customers for decades, and (iii) reject any “formal” arrangements for TS pooling services and privileges in their place. They also informed the Working Group that they did not intend to request approval from the Commission for these unilateral changes in services and privileges, and that they did not plan on holding any further Working Group meetings.

8. Despite strong objections expressed by several parties to the unilateral and unapproved intentions of QGC and QPL to terminate existing supply pooling services and privileges without implementing alternative services and privileges and without Commission approval, QGC and QPL proceeded to impose their unilateral changes on TS customers and suppliers effective July 1, 2014.

9. As a certificated monopoly provider of natural gas transportation services for Utah industries and businesses, QGC cannot unilaterally and without authorization from the Commission eliminate pooling services and privileges which have been available in Utah for decades, which are widely accepted and standard methods of providing supply in the natural gas industry throughout the country, and which are fundamental to the economic viability of TS service. By pooling gas supplies to be delivered to TS customers and others, gas suppliers and

marketers can utilize multiple gas supply points and the distributive properties inherent in supply pooling to insulate Utah TS customers from single supply-point risks and market disruptions. Gas supply pooling allows gas suppliers to manage and disperse potential market impacts across multiple customers in order to reduce costs, increase reliability and reduce imbalance penalties.

10. By unilaterally terminating the pooling services and privileges previously available to TS customers and demanding that nominations be made on a “point-to-point” basis, QGC and QPL are now requiring that each TS customer’s delivered gas supply must be tied directly to a single supply point, unnecessarily exposing Utah businesses and industries to the considerable risks of a single supply-point, including risks of supply allocation, interstate pipeline maintenance schedules, curtailments, adjustments and balancing penalties. To the collective knowledge of the Complainants and their advisors after due inquiry, this type of transportation customer risk and exposure is unique to QGC; these types of requirements and risks are not imposed on end-use transportation customers anywhere else in the nation by any other local gas distribution company.

11. QGC’s unilateral, unauthorized and unreasonable elimination of existing TS services and privileges was not necessary to comply with the professed desire of its affiliate QPL to employ standardized electronic confirmations at the QGC City Gates. Electronic pipeline confirmations are standard, but they do not preclude gas pooling. Indeed, typical industry practice throughout the United States is to use electronic confirmations, but to allow gas supply pooling. QPL can clearly utilize electronic confirmations and accommodate pooling, as it has done so for decades at other pipeline interconnection points.

12. QGC could easily use electronic confirmations on QPL and still provide pooling services and privileges for TS customers by utilizing “formal” pooling arrangements within the City Gates. QGC has repeatedly been asked to offer such arrangements so that TS customers can continue to enjoy longstanding pooling services and privileges, but QGC has stubbornly and unreasonably refused to do so.

13. Upon information and belief, by unilaterally eliminating critical gas pooling services and privileges for TS Customers at the City Gates, QGC improperly seeks to make TS gas supply options more burdensome, expensive and unattractive, to detrimentally impair gas supply competitors, and to unfairly benefit QGC and its affiliates at the expense of TS customers and their suppliers.

14. Numerous adverse TS customer impacts result from the unilateral and unauthorized actions of QGC to eliminate gas supply pooling services and privileges, including the following:

a. Customers, marketers and suppliers have lost critical, standard services and privileges that moderate or insulate adverse customer impacts resulting from market and supply volatilities.

b. TS customers are directly exposed to risks arising outside the QGC service territory, to which they have not been exposed in the past.

c. Requiring point-to-point nominations from a specific supply point to a specific TS customer burner tip creates unreasonable and unnecessary complications for balancing requirements and significantly increases the risk and magnitude of imbalance penalties imposed on TS customers.

d. Requiring point-to-point nominations exposes the identity of each gas supplier's customers, contrary to confidentiality provisions standard in NAESB gas purchase contracts.

e. Burdensome requirements and reduced flexibility will create anti-competitive effects on other gas suppliers, resulting in reduced supply options, increased costs, and higher risks and burdens for TS customers.

f. Increased costs, burdens and risks for TS customers will artificially make QGC sales service appear more competitive and attractive, likely causing more TS customers to return to QGC sales service, to the benefit of QGC and its affiliates, and to the detriment of TS customers.

Count I

Violations of Utah Code Ann. §§ 54-3-3, 54-3-2 & 54-3-7

15. Under UCA § 54-3-3, absent a timely filing with the Commission or a Commission order authorizing the same, **“no change shall be made by any public utility ... in any rule, regulation or contract relating to or affecting any classification or service, or in any privilege or facility...”** (emphasis added).

16. By unilaterally eliminating TS customers' pooling nomination services and privileges without a Commission filing or order, QGC has violated UCA § 54-3-3 by effecting a significant “change” to “[TS] service” and to the pooling “privilege” long available to TS customers.

17. UCA § 54-3-2 requires QGC to “file with the commission ... schedules showing **all rules, regulations, contracts, privileges, and facilities which in any manner affect or relate to ... charges, classifications, or service.**” (emphasis added).

18. By not expressly including its historical TS pooling services and privileges in its tariff, and by unilaterally eliminating those services and privileges without first filing proposed schedules reflecting the same, QGC has violated UCA § 54-3-2.

19. Under UCA § 54-3-7, “no public utility shall charge, demand, collect or receive a **greater or less or different compensation for ... any service** rendered or to be rendered, than the rates, tolls, rentals and charges applicable to such products or commodity or service as specified in its schedules ...; nor shall any such public utility ... extend to any person any form of contract or agreement, or any rule or regulation, **or any ... privilege except such as are regularly and uniformly extended to all corporations and persons ...**” (emphasis added).

20. By eliminating critical services and privileges long available to TS customers, QGC has unilaterally changed the nature and value of services provided to such customers without Commission approval and without a determination of the appropriate charges for the new, lower level of services, in violation of UCA § 54-3-7.

21. By eliminating pooling services and privileges for TS customers, while not eliminating the same for QGC sales customers, QGC has extended services and privileges to its sales customers that are not being extended to similarly situated TS customers, in violation of UCA § 54-3-7.

22. As a result of QGC’s multiple violations of Utah statutes, Complainants are entitled to a prompt Commission order (i) declaring that QGC has improperly eliminated and

changed services and privileges of TS service without a prior Commission filing or authorization, and discriminated improperly against TS customers, (ii) restraining and enjoining QGC from eliminating or denying, without prior Commission authorization, services and privileges previously available to TS customers and their natural gas suppliers to nominate pooled natural gas supplies within the QGC City Gates, (iii) restraining and enjoining QGC from discriminating against its TS customers through unauthorized elimination of pooling services and privileges for TS customers only, and (iv) requiring QGC immediately to provide all TS customers and their suppliers with reasonable pooling arrangements, including contracts and tariff revisions, to the extent necessary to accommodate renewed nomination of pooled natural gas supplies within the QGC City Gates.

Count II

Violations of Utah Code Ann. §§ 54-3-8 & 54-3-1

23. Utah Code Ann. § 54-3-8 provides that “a public utility may not ... **establish or maintain any unreasonable difference as to rates, charges, service or facilities, or in any other respect,** either as between localities or **as between classes of service.**” (emphasis added).

24. By eliminating pooling services and privileges for TS customers only, QGC has established an “unreasonable difference” as to “service” and in “other respect[s]” as between classes of service, in violation of UCA § 54-3-8.

25. Utah Code Ann. § 54-3-1 requires that “[a]ll **charges** made, demanded or received by any public utility ... for any service rendered or to be rendered, **shall be just and reasonable,**” that “[e]very **public utility shall furnish, provide and maintain such service** ... as will promote the safety, health, comfort and convenience of its patrons, employees and the

public, and **as will be in all respects adequate, efficient, just and reasonable,**” and that “[a]ll **rules and regulations** made by a public utility affecting or pertaining to its ... service to the public **shall be just and reasonable.**” (emphasis added).

26. By unilaterally eliminating normal industry gas supply pooling services and privileges long available to TS customers, and critical to the economic viability of TS service, QGC will decrease gas supply flexibility and unnecessarily and unreasonably increase costs, charges and penalties for TS customers, in violation of UCA § 54-3-8.

27. QGC’s unilateral elimination of pooling services and privileges has caused QGC’s charges and services for TS customers to be unjust and unreasonable, in violation of UCA § 54-3-1.

28. QGC’s unilateral elimination of pooling services and privileges has caused its service to TS customers to be inadequate and inefficient, in violation of UCA § 54-3-1.

29. Complainants are entitled to a Commission order (i) declaring that, by eliminating and changing services and privileges of TS service without a prior Commission filing or authorization, QGC’s services to TS customers are unjust, unreasonable, inadequate and inefficient, (ii) restraining and enjoining QGC from providing unjust, unreasonable, inadequate and inefficient service to TS customers, or imposing unreasonable differences in services and privileges for TS customers, and (iii) requiring QGC immediately to provide TS customers and their suppliers with reasonable pooling arrangements, including contracts and tariff changes, as necessary to accommodate nomination of pooled natural gas supplies within QGC City Gates.

Count III

Violation of TS Stipulation and Order

30. The TS Stipulation and the Order require QGC and other parties to address and attempt in good faith to resolve nomination and interruption issues and concerns on a “global” basis and in a reasonable, “collaborative” and “holistic” manner. Moreover, the TS Stipulation and Order contemplate that any changes or proposals for changes to address any such issues would be submitted to the Commission for approval in the form of proposed tariff revisions. Neither the TS Stipulation, the Order nor the settling parties contemplated unilateral actions by QGC to change or terminate existing TS customer services and privileges without prior approval from the Commission.

31. QGC acted inappropriately, without authority and in bad faith in abruptly terminating task force discussions and in unilaterally imposing significant changes in long-available nomination services and privileges without the consent of the other parties and without Commission approval.

32. The unilateral, unreasonable and anti-competitive actions of QGC to eliminate supply pooling services and privileges for TS customers violate QGC’s obligations under the TS Stipulation and Order, including its implied covenants of good faith and fair dealing.

33. QGC should be required and ordered to treat all of its customers uniformly and fairly, regardless of whether their gas supplier is QGC or another entity.

34. QGC’s unauthorized and unilaterally-imposed changes in pooling services and privileges will cause competitive harm, diminished gas supply options and higher costs for Utah businesses, in violation of the spirit, intent and requirements of the TS Stipulation and the Order.

35. Complainants are entitled to a Commission order (i) declaring that, by unilaterally and unreasonably terminating discussions and eliminating services and privileges of TS service without a prior Commission filing or authorization, QGC has violated its express and implied obligations under the TS Stipulation and Order, (ii) restraining and enjoining QGC from violating the TS Stipulation and Order through unauthorized, unreasonable and unilateral actions to eliminate gas supply pooling services and privileges for TS customers, and (iii) requiring QGC immediately to provide TS customers and their suppliers with reasonable pooling arrangements, including contracts and tariff revisions, to the extent necessary to accommodate nomination of pooled natural gas supplies within the QGC City Gates.

Count IV

Request for Agency Action to Determine Whether TS Rates, Terms, Conditions, Services and Privileges are Just, Reasonable and in the Public Interest

36. This Commission has broad “power and jurisdiction to supervise and regulate every public utility in this state, and to supervise all of the business of every such public utility in this state, and to do all things, whether herein specifically designated or in addition thereto, which are necessary or convenient in the exercise of such power and jurisdiction ...” (UCA § 54-4-1).

37. This Commission has express statutory authority to determine and set “just, reasonable, or sufficient rates, fares, tolls, rentals, charges, classifications, rules, regulations, practices, or contracts” if it finds that any of the same are “unjust, unreasonable, discriminatory, preferential, or otherwise in violation of any provisions of law.” (UCA § 54-4-4; See also UCA § 54-4-7).

38. As a public utility, QGC must “obey and comply with each and every requirement of every order, decision, direction, rule or regulation made or prescribed by the commission in the matters herein specified, or in any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper in order to secure compliance with and observance of every such order, decision, direction, rule or regulation by all of its officers, agents and employees.” (UCA § 54-3-23).

39. In the event and to the extent QGC’s unilateral elimination of pooling services and privileges long available to Utah TS customers is not declared inappropriate and restrained and enjoined as requested above, Complainants respectfully request agency action to determine that the rates, terms, conditions, services and privileges extended to QGC’s Utah TS customers following QGC’s elimination of supply pooling services and privileges are unjust, unreasonable and not in the public interest, and requiring appropriate tariff revisions to remedy the same.

Prayer for Relief

Complainants request relief against QGC as follows:

1. Under Count I, for a Commission order (i) declaring that QGC has improperly eliminated and changed services and privileges of TS service without a prior Commission filing or authorization, and discriminated improperly against TS customers, (ii) restraining and enjoining QGC from eliminating or denying, without prior Commission authorization, services and privileges previously available to TS customers and their natural gas suppliers to nominate pooled natural gas supplies within the QGC City Gates, (iii) restraining and enjoining QGC from discriminating against its TS customers through unauthorized elimination of pooling services and privileges for TS customers only, and (iv) requiring QGC immediately to provide all TS

customers and their suppliers with reasonable pooling arrangements, including contracts and tariff changes, to the extent necessary to accommodate renewed nomination of pooled natural gas supplies within the QGC City Gates.

2. Under Count II, for a Commission order (i) declaring that, in eliminating and changing services and privileges of TS service without a prior Commission filing or authorization, QGC's service to TS customers is unjust, unreasonable, inadequate and inefficient, (ii) restraining and enjoining QGC from providing unjust, unreasonable, inadequate and inefficient service to TS customers, or imposing unreasonable differences in services and privileges for TS customers, and (iii) requiring QGC immediately to provide TS customers and their suppliers with reasonable pooling arrangements, including contracts and tariff changes, to the extent necessary to accommodate nomination of pooled natural gas supplies within the QGC City Gates.

3. Under Count III, for a Commission order (i) declaring that, by unilaterally and unreasonably terminating discussions and eliminating services and privileges of TS service without a prior Commission filing or authorization, QGC has violated its express and implied obligations under the TS Stipulation and Order, (ii) restraining and enjoining QGC from violating the TS Stipulation and Order through unauthorized, unreasonable and unilateral actions to eliminate gas supply pooling services and privileges for TS customers, and (iii) requiring QGC immediately to provide TS customers and their suppliers with reasonable pooling arrangements, including contracts and tariff changes, to the extent necessary to accommodate nomination of pooled natural gas supplies within the QGC City Gates.

4. Under Count IV, in the event and to the extent QGC's unilateral elimination of pooling services and privileges long available to Utah TS customers is not declared inappropriate and restrained and enjoined as requested above, for agency action to determine that the rates, terms, conditions, services and privileges extended to QGC's Utah TS customers following QGC's elimination of supply pooling services and privileges are unjust, unreasonable and not in the public interest, and requiring appropriate tariff revisions to remedy the same.

5. Under all Counts, for such other and further relief as the Commission determines appropriate.

DATED this 10th day of July, 2014.

HATCH, JAMES & DODGE

/s/ _____
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 10th day of July, 2014, on the following:

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