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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** **PREFILED DIRECT TESTIMONY OF MATTHEW MEDURA**

The Complainants in this docket hereby submit the Prefiled Direct Testimony of Matthew Medura of CIMA Energy LTD.

DATED this 7th day of August 2014.

HATCH, JAMES & DODGE

/s/ ________________________
Gary A. Dodge

Attorneys for Complainants

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 7th day of August 2014 on the following:

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BEFORE

THE PUBLIC SERVICE COMMISSION OF UTAH

Direct Testimony of Matthew Medura

On behalf of Complainants

Docket No. 14-057-19

August 7, 2014

INTRODUCTION

Q. Please state your name and business address.

A. My name is Matthew Medura. My business address is 299 South Main Street, Suite 1300, Salt Lake City, UT 84111.

Q. By whom are you employed and what is your function?

A. I am employed by CIMA ENERGY LTD ("CIMA") and I am a Senior Marketing Representative, Western Division.

Q. What are you qualifications for testifying in this proceeding?

A. I have been employed in various capacities regarding the purchasing and selling of physical wholesale and retail natural gas in the Western U.S. for the last 19 years. I have purchased on behalf of, and have sold gas to, several dozen TS customers behind the Questar Gas distribution system since 1995. CIMA is currently the gas supplier to many Utah industries and businesses who transport natural gas under QGC's TS tariff. A copy of my resume is attached.

PURPOSE AND RECOMMENDATIONS

Q. What is the purpose of your testimony?

A. The purposed of my testimony is to explain my company's concerns with and objections to the unilateral actions of Quester Gas Company ("Questar Gas") to eliminate pooling services that had been in place for CIMA and its customers for years and to terminate collaborative discussions of the Nomination and Scheduling Working Group that arose out of the Commission's Report and Order issued on February 21, 2014 in UPSC Docket 13-035-05. My testimony will explain my Company's understanding that the Working Group was a Commission-ordered collaborative process to address and resolve TS customer class nomination and pooling issues not fully resolved in Docket 13-035-05, and my view that unilateral actions by Questar Gas to terminate those discussions and to impose significant changes in pooling services without Commission approval or the agreement of CIMA and other working group participants was unreasonable and not in the interest of Utah industry.

Q. Please explain the nature of CIMA's participation in the Working Group.

A. CIMA was not an intervener in Docket 13-035-05, but we monitored the proceedings to identify potential changes in costs and services associated with the TS tariff for our customers. In the Commission's order, we saw an opportunity to participate in a collaborative process to reach an agreeable solution with Questar Gas for continuation of critical pooling services for the TS customer class and their agents that would also address and resolve issues that had been raised by Questar Gas relating to nomination procedures in light of curtailments, as well as other tariff language concerns. To that end, CIMA attended the first Working Group meeting held February 28, 2014. The meeting and the accompanying presentation was hosted and driven by Questar Gas personnel. Nomination confirmation procedures and upstream balancing issues were the primary subjects of the discussions. Relevant portions of the Questar Gas presentation at the meeting are attached as Exhibit A (Complainants Exhibit 4.1). Slide 9 of the attached Questar presentation illustrated a NAESB compliant nominations procedure with pooling for which CIMA and other marketing agents and TS customers all offered strong support.

Q. What do you mean by "NAESB compliant"?

A. By "NAESB compliant" I mean the adoption of business practices regarding electronic data interchange ("EDI") that adhere to the standards set forth by the North American Energy Standards Board.

Q. Please continue with your description of the working group meetings.

A. CIMA attended the second meeting on March 24, 2014 that was also hosted by Questar Gas personnel. Relevant portions of Questar's presentation are attached as Exhibit B (Complainants Exhibit 4.2). Again, slide 4 reflects a NAESB compliant nomination procedure with pooling as a solution to the current manual, non-NAESB-compliant process. Questar Gas legal and regulatory personnel agreed to prepare a draft pooling contract or tariff for review and discussion at the third meeting of the Working Group.

CIMA never received the promised draft pooling agreement or tariff and we were not able to attend the third Working Group meeting held May 13, 2014. Instead, we received a notice from Questar Pipeline at nearly the same time that the third meeting was starting stating that electronic confirmations with Questar Gas would begin on July 1, 2014. The presentation from the third Working Group meeting, attached as Exhibit C (Complainants Exhibit 4.3), no longer contained a slide with a NAESB compliant pooling structure for confirmations between upstream pipelines and Questar Gas.

Q. What was your response to Questar Gas' abrupt change in direction?

A. After some discussion with participants who attended the third meeting I sent a letter dated May 30, 2014, to Questar Gas regulatory, legal and gas control personnel outlining CIMA's concerns with the abrupt change in direction and the termination of the Working Group collaboration pursuit of a pooling structure that would be NAESB compliant. The letter also addressed CIMA's concerns that the contemplated elimination of pooling services on July 1, 2014 would cause unnecessary and unreasonable harm to CIMA and its TS customers by exposing individual TS customers to serious market risks that had previously been mitigated by the historical pooling service provided by Questar Gas. We also requested a delay in the July 1 start date. A copy of my letter is attached as Exhibit D (Complainants Exhibit 4.4).

Q. How Did Questar Gas respond to the concerns of your May 30 letter?

A. CIMA was invited by Will Schwarzenbach, PE, Supervisor – Gas Supply, Questar Gas to meet with Questar Gas and Questar Pipeline personnel on June 5, 2014 to discuss our concerns. We outlined a formal, workable, pooling concept on a white board and discussed it in some detail. As a result of the meeting, we believed that the pooling concept was back "on the table" and we were assured that the issue would be discussed further internally. I later received a written response to my letter from Mr. Schwarzenbach dated June 18, 2014, attached as Exhibit E (Complainants Exhibit 4.5), which stated that the point-to-point electronic confirmation process would begin on July 1, 2014 as the preferred solution of Questar Gas and Questar Pipeline to their concerns, without any attempt to address the significant concerns consistently expressed by TS customers and their suppliers and agents alike, which concerns could have easily been addressed with a NAESB-compliant pooling structure consistent with standard industry practice on other LDCs and Pipelines.

Q. Do you believe that QGC's elimination of pooling services for TS customers is discriminatory and anti-competitive?

A. Yes. Utah businesses and other entities that enter into contracts with marketing companies now face significantly different risks, costs and consequences than Utah companies that buy natural gas directly from QGC. This gives QGC an unfair advantage over all other companies competing to supply natural gas to Utah consumers. QGC has secured an advantage like no other LDC in the country of which I am aware. The result will be increased risks and costs of TS service, along with reduced liquidity for TS customers because third-party gas suppliers will decline to sell gas to be delivered to the City Gates.

TS customers and their suppliers have lost a valuable service by QGC's refusal to continue offering pooling services. Without a pool, the market for TS customers will change quickly, costs will increase, and third party shippers will decide not to continue delivering gas to the City Gate unless it is purchased by QGC, forcing TS customers to return as QGC sales customers or to directly acquire Questar Pipeline capacity.

Q. Please explain.

A. The discriminatory, anti-competitive impacts of QGC's actions can be demonstrated by comparing how Utah businesses that elect to purchase natural gas supplies directly from QGC will be impacted in comparison to similarly situated Utah businesses that elect to purchase gas supplies from market participants and contract with QGC for local transportation.

QGC had, and I believe continues to have, but one primary contract on Questar Pipeline (Contract 241) which is used for delivering all or most its natural gas supplies to the City Gates (Map Point #164). Any new or cancelled receipt points, and all volume increases or decreases for QGC, all take place on this contract, which has been in place for many years. Contract 241 operates like a pooling contract in that it requires no matching of downstream, end-user contracts at the City Gates. In other words, all QGC customers receive their gas supplies from QGC off of the same contract.

In contrast, since July 1, marketing companies have been required to match every gas supply contract to the City Gate, whether the source of the gas is the marketer or a third party shipper, with specific end-user TS customer contracts on QGC's system. Unlike QGC, marketing companies are no longer allowed to designate one contract or pool to which all gas supplies can be nominated.

When a marketing company acquires any form of transportation capacity on Questar Pipeline, whether directly by contract with Questar Pipeline or by acquiring released capacity from a third party, each contract held or acquired by the marketer has a unique contract number. Because QGC has eliminated pooling, each marketer must now face a new set of challenges not faced by QGC when it nominates supplies to the City Gate. Each marketer must match each transportation contract directly to TS customer contract numbers. QGC is not required to do the same. This discriminatory requirement creates an unfair competitive advantage for QGC over marketing companies who compete with QGC to sell gas supplies to Utah businesses.

Q. Please elaborate on the difference in expected impacts for Utah businesses that elect transportation services (and their marketers and third-party suppliers) during period of supply or transportation disruptions.

A. When upstream supply or transportation disruptions require "cuts" or "allocation," QGC gas supply customers suffer no direct impacts if a particular production point or transportation route is cut or allocated, and QGC can move quickly and efficiently to acquire alternative supplies or transportation rights to the City Gate. Marketers had this same ability prior to July 1. Because QGC still has but one contract, point-to-point scheduling requirements do not require it to cut deliveries to any specific customer or customers.

In contrast, marketing companies and their customers will now likely suffer dramatic impacts when production or transportation is cut or allocated. Because the upstream contract must identify specific TS customers' contracts, upstream disruption at a given point will result in direct cuts to the specified end-users. If a specific contract is impacted by loss of delivered volumes to the City Gate, the TS customer who was to receive those volumes will be directly impacted, and will not have the advantage of “rankings” at a pooling point previously used by marketers to minimize the potential for imbalances or penalties. The specific customer(s) affected will be cut regardless of whether or not the marketer is long on other contracts delivering to the City Gate.

Perhaps the biggest impact on TS customers will be the loss of liquidity at the City Gate. Unless pooling services are restored, Third Party gas suppliers will simply not be willing to schedule deliveries to multiple downstream contracts, especially during periods of curtailment or allocations under an Operational Flow Order (OFO). It is very possible, for example, that marketers and third-party suppliers would need to submit multiple changes throughout an entire weekend. Marketers and third-party gas suppliers will simple choose not to sell supplies delivered to the City Gate, unless the purchaser is QGC itself. Moreover, potential imbalance penalties, which could be particularly severe during an OFO, will make marketing companies less inclined to offer services to TS customers. The inevitable results will be increased risk, reduced liquidity, reduced services and increased prices to Utah TS customers, many of whom will likely flock back to QGC gas service -- which is presumably, the intent.

Equal treatment of similarly situated Utah customers can occur only if each marketing company is offered a unique contract on QGC to which all its City Gate transportation volumes can be delivered. Otherwise, QGC will have an unfair competitive advantage over all other companies who desire to supply gas to

Utah businesses. If pooling is not restored, QGC will have secured a competitive advantage like no other LDC in the country of which I am aware.

SUMMARY

Q. Can you please summarize your testimony?

A. The working group process was understood by CIMA to be a TS customer class nomination and balancing issue resolution proceeding in which we eagerly participated, with the good-faith intent of reaching resolution with Questar Gas in a manner that would accommodate its reasonable nomination requirements and a pooling arrangement to meet the needs of its TS customers and their gas suppliers and agents. Questar Gas abruptly terminated the collaborative process, unilaterally eliminated a decades-old pooling service, and refused to implement in its place widely-used and industry standard pooling procedures, as discussed and acknowledged in the first two Working Group meetings. Questar Gas did all of this without having reached any kind of agreement with its customers or working group participants, and without asking the Commission for authority.

In my view, Questar Gas' actions violated the intent and spirit of the rate case stipulation, the Commission's order, and the legitimate expectations of the working group members. In my view, its actions are unjust and unreasonable, and they are not in the interest of its TS customers or the public interest, and they will cause unnecessary and unreasonable harm to Utah TS customers.

Q. Does this conclude your direct testimony?

A. Yes.

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SUMMARY OF QUALIFICATIONS

- Well rounded energy professional with nineteen years of experience in the Rockies natural gas markets focusing on the delivery of physical gas to industrial and power consumers.
- Intricate understanding of market, legislative and regulatory activities affecting the delivered cost of natural gas and to the meter.
- Experience building a long term book of business extending 5-10 years out.
- Primary point of contact with counterparties at the plant, managerial and executive levels.

EXPERIENCE

Senior Marketing Representative – CIMA ENERGY LTD, Salt Lake City, Utah. May 2007-Present.

- Origination of term transactions throughout the natural gas supply chain including producer services, transportation contracting/AMAs, and end user physical supply.
- Sales and execution of structured hedging products for producers and end users including swaps, collars, etc.
- Built and maintain a portfolio of approximately 50 customers with contracted business extending out as far as 10 years.
- Coordinate gas marketing efforts with other departments/divisions within the company: Coordinate credit reviews and approval and contract execution between CIMA and counterparties.
- Maintain ongoing relationships with national end user consultants to enhance deal flow opportunities.
- Analyze regulatory and legislative activity to quantify cost impacts to customers.

Senior Consultant – Energy Strategies, LLC, Salt Lake City, Utah. March 2003-May 2007.

- Energy procurement alternatives analysis and contract negotiations for large industry in both natural gas and power transactions throughout the western U.S.
- Structured hedging transactions execution for price risk management objectives of energy consumers.
- Extensive analysis of cogeneration economics for smaller scale industrial and commercial consumers.
- Managed a gas purchasing cooperative aggregating approximately 10,000 Mmbtu/day.

Senior Structuring Analyst – Duke Energy Trading and Marketing, Salt Lake City, Utah. January 2002-January 2003.

- Options and forward pricing analyst for originated term wholesale deals in power and natural gas throughout the western U.S.
- Worked with mid office staff to maintain and validate forward curves.

Consultant – Accenture (Anderson Consulting), San Francisco, CA. February 2001-December 2001.

- Best practices consulting to large merchant energy trading organizations throughout the U.S. and Canada including Cinergy, Progress Energy, Enron, Shell Trading, etc.

Consultant – Energy Strategies, LLC, Salt Lake City, Utah. July 1995-November 2000.

- Market, legislative and regulatory analyst to end users of gas and power in the western U.S.
- Editor of trade association new letter on issues affecting the cost of delivered energy to end users.
- Consumer representative in various state deregulation forums throughout the western U.S.

EDUCATION

- Master of Science, Economics, GPA 3.8/4.0, University of Utah, Salt Lake City, Utah. December 1995.
- Bachelor of Arts, Economics, GPA 3.6/4.0, Villanova University, Villanova, PA. May 1989.