

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
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REBUTTAL TESTIMONY OF WILLIAM F. SCHWARZENBACH

FOR QUESTAR GAS COMPANY

September 10, 2014

QGC Exhibit 2.0R

2.0R

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1 **Q. Are you the same William F. Schwarzenbach that offered Direct Testimony in this**
2 **matter?**

3 A. Yes.

4 **Q. What is the purpose of your testimony?**

5 A. I will respond to the concerns expressed by the Office of Consumer Services (Office) and
6 respond to the questions proposed by the Division of Public Utilities (Division).

7 **Q. Mr. Gavin Mangelson has stated that “benefits that accrue to the Marketers or agents**
8 **for TS Customers should be given little weight in the Commission’s decision”?**
9 **(Mangelson, Direct Testimony, lines 128-130). Do you agree?**

10 A. Yes. Many of the arguments made by CIMA, Summit, and Continuum, such as “masking”
11 and protecting their ability to purchase gas at the City Gate¹, have been presented to protect
12 the Agents’ business practices. These entities are not regulated by the Utah Public Service
13 Commission (Commission). The Commission should make its decision in this docket with
14 all customers’ interests in mind and should not force new Tariff provisions to preserve the
15 business model of these unregulated entities. As I testified previously, Questar Gas
16 believes the transparency provided by the Questar Pipeline Process Change is in the best
17 interest of all of the customers. These benefits are eliminated if pooling is made available
18 on the Questar Gas system.

¹ The capitalized terms in my Rebuttal Testimony have the same definitions as the defined terms in my Direct Testimony.

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19 **Q. Mr. Wheelwright testified that the Questar Pipeline Process Change did not change**
20 **balancing requirements. (Wheelwright, Direct Testimony, lines 153-156). Do you**
21 **agree?**

22 A. Yes. The Complainants presented considerable testimony around the cost of imbalances
23 that will be borne by TS Customers due to the Questar Pipeline Process Change. As
24 indicated in my direct testimony, the Questar Gas Tariff regarding imbalances has not
25 changed. However, TS customers use No-Notice transportation and storage services.
26 Costs for these services are not currently included in the TS rate. Questar Gas believes it
27 is appropriate to charge TS customers for their use of these services. These are issues that
28 Questar Gas plans to resolve with interested parties going forward.

29 **Q. Do you agree with the Division's statement that there is "broad opposition" to the**
30 **Questar Pipeline Process Changes?**

31 A. I agree that a small percentage of TS Customers and Agents have brought the Complaint
32 in this Docket. However, the Complainants only represent 3 of the 11 current Agents that
33 provide supplies for TS customers on the Questar Gas system. The Agents represented are
34 generally the Agents that purchase gas at the City Gate rather than taking the responsibility
35 for transporting gas to the City Gate for their customers.

36 Additionally, only 5 of the 274 current TS Customers are included as Complainants and
37 none of them have filed testimony. Many of the TS Customers do not understand the
38 issues being discussed or the methods being used by their Agents to deliver their gas to the
39 City Gate. The Questar Pipeline Process Change allows for transparency for the TS
40 Customers, which will enable them to better understand the issues going forward.

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41 **Q. Mr. Wheelwright identifies eight (8) points that should be addressed in collaborative**
42 **meetings with interested parties. Can you provide a brief overview of each of these**
43 **points?**

44 A. Yes I can. However, as Ms. Faust testifies, the Complainants have expanded the claims in
45 this docket beyond what the Commission initially intended. Mr. Wheelwright correctly
46 suggests that the parties meet outside this docket to further discuss these issues. For
47 informational purposes, I will briefly discuss each point.

48 **Q. The first issue is whether Questar Gas' actions were reasonable and prudent, given**
49 **Questar Pipeline's Process Change. (Wheelwright, Direct Testimony, lines 56-57).**
50 **Were the Company's actions reasonable and prudent?**

51 A. Questar Gas' only action was to support Questar Pipeline's Process Change. I believe this
52 action was reasonable and prudent. Electronic confirmations using the process now in
53 place is in the best interest of all of Questar Gas' customers. I do not believe the Process
54 Change will result in any additional costs to customers.

55 **Q. The second issue was whether TS Customers served by Agents are aware of the true**
56 **nature of the service they purchase from the marketing companies and any**
57 **limitations of that service. (Wheelwright, Direct Testimony, lines 58-60). Are TS**
58 **Customers aware of the service being offered by their Agents?**

59 A. I don't believe they are fully aware of the services being provided. TS Customers have
60 stated that because they had a firm TS contract with Questar Gas that their gas supply was

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61 also firm. On December 5, 2013 and during a customer meeting on Feb 28, 2014 where
62 over 200 representatives of TS Customers were in attendance, a number of customer
63 representatives made comments that clearly showed TS Customers did not understand the
64 true nature of the service they purchased from the Agents. Some TS Customers were led
65 to believe that their supplies had arrived at the City Gate on the morning of December 5th
66 when in fact they had not arrived.

67 **Q. The third issue is whether “small and possibly less knowledgeable transportation**
68 **customers understand the risks they may be incurring or are customers shopping only**
69 **for the lowest price”. (Wheelwright, Direct Testimony, lines 61-62). Do TS**
70 **Customers understand the risks they may be incurring?**

71 A. I don’t believe they understand the risks. Some TS Customers were not aware that their
72 Agent may be providing gas for them at the City Gate using interruptible contracts. A
73 number of TS Customers have told me that because they have a firm TS contract with
74 Questar Gas, their gas supply is also firm. This is plainly not the case. In fact, as stated in
75 the Complainants testimony, the Agent may not actually know how the gas is being
76 delivered. There is no way to fully understand the risks involved with the delivery of gas
77 without knowing how the gas is being transported to the Questar Gas system.

78 **Q. The fourth issue is: “Are nominations correctly entered to the system to reflect the**
79 **anticipated usage for each customer”. (Wheelwright, Direct Testimony, lines 63-64).**
80 **Do the nominations entered for the customers correctly reflect their anticipated**
81 **usage?**

82 A. Agents generally make nominations for the first of the month and rarely make changes to
83 those nominations. If they meant to match nominations to anticipated usage, they would
84 need to adjust those nominations periodically (daily, or to reflect weekend usage, or

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85 industrial processes or weather). They often do not. Again, this issue is not properly before
86 this Commission. It should be addressed by a working group outside this case.

87 **Q. The fifth issue is whether nominations are adjusted for variations in actual usage, or**
88 **is there reliance on the no notice and storage resources available through Questar**
89 **Gas.” (Wheelwright, Direct Testimony, lines 67-68). Do the nominations match**
90 **actual usage, or do TS Customers rely on Questar Gas’ No-Notice and storage**
91 **service?**

92 A. Again, Agents rarely make nomination adjustments. The process allows for adjustments
93 four times a day, every day. If an Agent were trying to match nominations to actual usage,
94 they would make nomination adjustments periodically to reflect usage. As shown in
95 Exhibit 3.1 of Mr. Pemberton’s testimony, nominations are rarely changed despite variance
96 between nominations and usage every day. A review of the daily data from April 2013
97 through March of 2014 shows that customers’ nominations were within 5% of their usage
98 only 13% of the time. QGC Exhibit 2.1R shows that a large amount of customers are out
99 of balance on most days.

100 **Q. The sixth issue is whether TS Customers are informed of differences between the**
101 **volume of gas nominated on their behalf compared to the volume of gas delivered or**
102 **any implications of those differences. (Wheelwright, Direct Testimony, lines 69-71).**
103 **Do you believe the TS Customers are aware of these differences or the implications**
104 **of these differences?**

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105 A. No. Prior to the Questar Pipeline Process Change, this information was not readily
106 available at the customer level. On December 5, 2013, when Questar Gas notified
107 customers of their required reductions, many customers did not understand what we meant
108 when we told them that their gas was not being delivered by their Agent. Some customers
109 indicated that their Agents told them to ignore our requests to reduce their usage. Some
110 customers told us they could not or would not reduce their usage to match the amount of
111 gas being delivered for them by their Agents.

112 **Q. The seventh issue is whether TS Customers are aware of the difference between the**
113 **volume of gas that is nominated on their behalf and the volume of gas that is burned,**
114 **or of the implications of any difference. (Wheelwright, Direct Testimony, lines 72-**
115 **74). Do you believe that the TS Customers are aware of those differences or the**
116 **implications of those differences?**

117 A. While there are a few TS Customers who understand this process, most customers probably
118 do not understand the differences or the implications of those differences. On December 5,
119 2013, when Questar Gas notified customers of their required reductions, many customers
120 were unaware of the amount of gas that was being nominated for their use by their Agents.
121 Because the imbalance provisions provided by the Questar Gas Tariff allow for the
122 aggregation and exchanging of imbalances to balance on a monthly basis, most TS
123 Customers do not ever receive any imbalance penalties. As a result, most TS Customers
124 have no way of knowing that the amount of gas being nominated for them by their Agent
125 does not match their actual usage.

126 **Q. The eighth issue is whether the Agents have correctly ranked their customers in order**
127 **to prioritize the service in the event of a delivery cut. (Wheelwright, Direct**

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128 **Testimony, lines 75-78). Are Agents properly using rankings to identify priority of**
129 **customer cuts?**

130 A. Such ranking is more common since December 5, 2013 and the Process Change. Prior to
131 those events, it rarely occurred.

132 **Q. Do you believe these eight issues are properly raised in this docket?**

133 A. While these are valid questions that merit discussion, I do not believe that they pertain to
134 the original scope of this docket. As Ms. Faust testified, the proper scope of this docket is
135 very narrow. The Commission should only consider whether Questar Gas has violated a
136 statute, rule, regulation, tariff provision, settlement stipulation or Commission order. The
137 Commission should not consider the broader issues raised by the Complainants.

138 **Q. Were there any other issues you intend to address?**

139 A. I want to clarify one statement in Mr. Wheelwright's testimony. Mr. Wheelwright
140 indicated that creating a pool on the Questar Gas system would be more efficient because
141 Questar Gas "manages the gas control function for both companies [Questar Gas and
142 Questar Pipeline]". (Wheelwright Direct Testimony, lines 173-174) In fact, the gas
143 control function for both Questar Gas and Questar Pipeline is managed by Questar Pipeline
144 through a shared-services agreement. As observed by Ms. Faust, the requirements and
145 impact of a pool on the Questar Gas system have not been fully analyzed.

146 **Q. Does this conclude your testimony?**

147 A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, William F. Schwarzenbach, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

William F. Schwarzenbach

SUBSCRIBED AND SWORN TO this ___ day of September, 2014.

Notary Public