

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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)	DOCKET NO. 14-057-19
IN THE MATTER OF THE FORMAL COMPLAINT)	DPU Exhibit 1.0R
AGAINST QUESTAR GAS COMPANY)	
REGARDING PROCEDURES AND PRACTICES)	Testimony
FOR TRANSPORTATION SERVICE CUSTOMERS)	Douglas D. Wheelwright
)	
)	
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

**Rebuttal Testimony of
Douglas D. Wheelwright**

September 10, 2014

1 **Q: Are you the same Douglas Wheelwright that filed direct testimony for the Division in this Docket?**

2 A: Yes.

3 **Q: What is the purpose of your rebuttal testimony in this matter?**

4 A: I will respond to several issues raised by Questar Gas Company (Questar Gas or the Company)
5 representatives in direct testimony and will discuss issues that have been addressed by the
6 complainant parties in this case. I do not comment on all of the ideas and statements made by the
7 various witnesses. Silence on a given subject does not imply that the Division necessarily agrees
8 with the witness on that subject.

9 **Q: Please identify the testimonies that you wish to respond to.**

10 A: Due to the testimony schedule outlined for this case, the complainant parties will file rebuttal
11 testimony on the same day as the Division. I will respond to issues addressed in the direct testimony
12 of the Company witnesses, Tina M. Faust and William F. Schwarzenbach, filed on August 28, 2014.

13 **Comments on the testimony of Tina M. Faust**

14 **Q: Do you agree with the background information as represented by Ms. Faust?**

15 A: I agree that marketing companies were concerned with the proposed tariff changes relating to
16 transportation (TS) Customers as filed in July 2013 with the General Rate Case application.
17 According to Ms. Faust's testimony, the proposed change as filed in the rate case was due to the
18 following:

19 Questar Gas was concerned about the reliability of upstream supplies for TS Customers.
20 ***If upstream restrictions occur*** and TS Customers' supplies do not arrive at the Questar
21 Gas interconnects (known as "City Gates"), Questar Gas may need to reduce deliveries
22 to its firm TS Customers.¹

¹ Direct Testimony of Tina M. Faust, p. 1, line 23.

23 During the Company's most recent general rate case, Docket No. 13-057-05, parties expressed
24 concern with the proposed changes as originally filed by the Company. As part of the settlement
25 stipulation in that case, the Company withdrew the proposed change and parties were invited to
26 "collaboratively explore additional changes to the language of Sections 5.01 and 5.07 of the
27 Company's tariff to address interruption and related concerns and issues".² The Division agrees that
28 the interest from marketing companies was due to the proposed changes but disagrees that the
29 issues identified in the general rate case have been resolved with the required change in the
30 nomination process implemented by Questar Pipeline Company (Questar Pipeline).

31 **Q: Do you agree with the Questar Gas answer to the complaint which states that the stipulation**
32 **agreement does not require the Company to address nominations and scheduling issues identified**
33 **as a result of the December 5, 2013 gas supply disruption?**³

34 A: Not at all. The proposed changes to the tariff as filed in the original rate case application in July
35 2013 were included to address the reliability of upstream supplies and potential upstream
36 restrictions. Actual supply restrictions occurred on December 5th and there were restrictions
37 imposed on many TS customers. The events of that day brought to light problems with the
38 nomination process and the inability of Questar Gas to determine the prioritization of possible cuts
39 to TS customer service. The language included in the stipulation reads as follows:

40 The Settling Parties agree that on or before April 1, 2014, they will invite the Settling
41 Parties and other interested entities to collaboratively explore additional changes to the
42 language of Section 5.01 and 5.07 of the Company's tariff to **address interruption** and
43 related concerns and issues.⁴

44 Since there have been no other interruptions to customer service or similar events in recent
45 memory, it is reasonable to assume that the types of interruption and associated issues that

² Docket No. 13-057-05, Partial Settlement Stipulation Regarding TS Tariff Language, January 6, 2013, p. 3.

³ Questar Gas Company's Answer, p.2

⁴ Docket No. 13-057-05, Partial Settlement Stipulation Regarding TS Tariff Language, January 6, 2013, p. 3.

46 occurred on December 5th were intended to be part of the collaborative discussion process and
47 included in the proposed tariff changes.

48 To indicate that the events of December 5th were not intended to be part of the collaborative
49 discussions is also in conflict with the testimony of Ms. Faust which states:

50 The participants in the meetings discussed potential options for TS Customers or Agents
51 to bring gas to the Questar Gas' system. During those meetings, the participants also
52 discussed a number of issues related to the events of December 5, 2013.⁵

53 The language of the stipulation and the testimony of the Company witness would indicate that the
54 events of December 5th were to be included in the collaborative discussion process. While the
55 stipulation mandates no specific result, it clearly requires collaboration concerning these issues.

56 **Q: Do you agree that the Company has never offered a pooling arrangement as stated by Ms Faust?**

57 A: In terms of a contractual agreement with the marketing companies, the Division would agree that
58 Questar Gas has not had a formal pooling arrangement; however Questar Gas has allowed
59 marketing companies to aggregate the volumes in the nomination process for a number of years. In
60 her testimony, Ms. Faust states that they have not offered a pooling arrangement but states;

61 TS Customers' Agents were allowed to aggregate nominated supplies to individual TS
62 Customers at the City Gate prior to July 1, 2014. This was not a true pool based on a
63 contractual relationship and was not a service allowed in either the Questar Pipeline or
64 Questar Gas tariff.⁶

65 Even though the manual pooling of nominations at the City Gate was not an approved service for
66 either Questar Gas or Questar Pipeline, the program was allowed to continue for many years and
67 was actively used by marketing companies.

⁵ Direct Testimony of Tina M. Faust, p. 2, line 37.

⁶ Direct Testimony of Tina M. Faust, p. 4, line 78.

68 The Division notes that prior to the May 13, 2014 collaborative meeting, marketing companies (and
69 the Division) were led to believe that the Company was working on some type of formal pooling
70 arrangement for nominations.

71 **Q: Are there other instances where Questar Gas has allowed marketing companies to group or**
72 **combine the activities of their customers?**

73 A: Yes. Marketing companies have been allowed to aggregate the actual gas used by their customers
74 on a daily and a monthly basis for balancing purposes. Section 5.09 of the Questar Gas Tariff reads
75 as follows for the daily imbalance:

76 Customers or nominating parties may exchange or aggregate imbalances in order to avoid
77 or mitigate penalties. Penalties that are not totally avoided by exchange or aggregation
78 shall be borne by the customer or prorated among the customers as directed by the
79 nominating party.⁷

80 On a monthly basis, the Questar Gas tariff allows the marketing companies to aggregate (group,
81 pool, combine) the usage of their respective customers in order to balance the volume of gas
82 nominated with the volume that has been consumed. In addition to combining or aggregating the
83 usage among their individual customers, marketing companies are allowed to trade any remaining
84 imbalances with other marketing companies. While this is not a contractual pooling arrangement,
85 marketing companies rely on the aggregation of nominations and actual usage on a regular basis.

86 This aggregation process is part of the Company tariff and has not changed. The Company has
87 confirmed that all of the marketing companies are balancing to the $\pm 5\%$ each month and are
88 complying with the terms as outlined in the tariff.

89 **Q: Do you agree with Ms. Faust that the collaborative meetings were productive?**

⁷ Questar Gas Company Utah Natural Gas Tariff PSCU 400, Section 5.09 Imbalances.

90 A: No. The stated purpose of the collaborative meetings was to “explore additional changes to the
91 language of Section 5.01 and 5.07 of the Company’s tariff to address interruption and related
92 concerns and issues.” While the Company has continued to have discussions with various parties,
93 the collaborative discussions ended after the May 13th meeting. Since signing the settlement
94 stipulation, the Company has not proposed any changes to the language of the tariff or any specific
95 changes to address interruptions or other related concerns. The Company’s response to the
96 complaint indicates that it is not proposing any change to the Tariff and that the required change
97 implemented by Questar Pipeline was the reason for the change to the nomination process.⁸ The
98 collaborative discussions have not resolved the related concerns and issues that were discussed in
99 the general rate case. From the Division’s perspective, the goal of taking a more “holistic approach”
100 to resolving these issues has not been accomplished. The Company has indicated that it will be
101 proposing new tariff language in a separate Docket⁹ but has not provided specific
102 recommendations.

103 **Comments on the testimony of William F. Schwarzenbach**

104 **Q: Mr. Schwarzenbach indicated that suppliers should still be willing to sell their gas at the upstream**
105 **receipt points instead of at the City Gate. Has there been any information provided to**
106 **substantiate this claim?**

107 A: No. Marketing companies have been able to purchase gas at the City Gate in the past. For these
108 types of transactions to take place, there must have been a willing seller and a willing buyer with an
109 interest at the City Gate location. Without knowing the specific volumes or the operational needs of

⁸ Questar Gas Company Answer, Fourth Defense, p. 8.

⁹ Direct Testimony of Tina M. Faust, p. 2, line 40.

110 the various marketing companies, it is premature to assume that all transactions can be executed at
111 upstream receipt points as suggested.

112 **Q: When supplies are purchased at an upstream receipt point, the TS customer or its agent takes**
113 **ownership of the gas and control over the type of service used to transport the gas to the City**
114 **Gate.¹⁰ Is this different from the transactions that occur at the City Gate?**

115 A: It is the Division's understanding that transactions that occur at the City Gate are brokered
116 transactions where the marketing company brings the buyer and seller together but does not take
117 ownership of the gas. At this point in the proceeding, the complainants have not yet filed testimony
118 in response to the Company witnesses and it is unknown if marketing companies are able to make
119 all purchases upstream at a receipt point where the marketer will take ownership of the gas until it
120 reaches the city gate.

121 **Q: The Company believes that the recent increase in TS customers has caused an increase in the use**
122 **of no-notice transportation and storage services which are paid for by sales customers. Has the**
123 **Company provided information to substantiate the claim?**

124 A: The Company included some limited information in a PowerPoint slide format as part of the March
125 24, 2014 collaborative meeting. The Company has not provided any additional information
126 concerning the specific amount or the extent of the no-notice and storage services that are claimed
127 to be used by TS customers.

128 **Q: Does the Division have any concerns with the Company's claim of TS customer use of no-notice or**
129 **storage services?**

¹⁰ Direct Testimony of William F. Schwarzenbach, p. 7, line 160.

130 A: The Company's primary concern appears to be the daily use of imbalance and storage services. For
131 example, Exhibit 3.1, Table 3 of Mr. Pemberton's direct testimony shows the consolidated
132 nominations and actual usage for all of the Continuum customers for the month of July 2014. With
133 the exception of the firsts three days of the month, the Continuum customers are within the $\pm 5\%$
134 allowed tolerance on a cumulative basis. However, if marketing companies are allowed to
135 aggregate or combine the nominations and actual gas used by their customers on a daily and a
136 monthly basis, assessing a fee for using no-notice service may be difficult. Changes to the daily
137 operational requirements of marketing companies and specific changes to the tariff would be
138 necessary to implement a fee for no-notice and storage usage by TS customers. In the previous
139 general rate case the Division was in support of the accurate allocation of cost to the appropriate
140 rate class or customer.

141 **Q: Do you agree that all of the Complainants' requests for pooling can be provided through other**
142 **means with no additional cost to TS customers?**¹¹

143 A: This claim assumes that all marketing companies will be able to purchase the gas supplies upstream
144 from the City Gate at comparable prices or that suppliers will continue to sell at the City Gate
145 without increasing the price. The marketing companies have not been able to provide specific third
146 party supplier information to indicate that costs have or will increase for City Gate purchases. On
147 the other hand, the Company claims that all transactions can be executed upstream and will be as
148 cost effective for marketing companies as purchases at the City Gate have been. The claim that
149 there will be no additional cost to TS customers appears to be unsubstantiated and premature.

150 **Q: Is the Company required to ensure that its changes do not impose additional costs on marketers?**

¹¹ Direct Testimony of William F. Schwarzenbach, p. 12, line 279.

151 A: Not necessarily. The Division supports policies that aid in the efficient provision of safe, adequate,
152 and reliable service. There are many ways to accomplish this. Certainly the Company is not required
153 to conduct its business in a manner most advantageous to other entities so long as its actions are in
154 the public interest. However, if the Company's actions become anti-competitive they can come to
155 violate the public interest, requiring customers to take otherwise inefficient services merely to
156 diminish competition. Thus, some level of increased cost may be warranted if operational or other
157 considerations make changes prudent. But costs imposed for no other reason might prove to be
158 uncompetitive.

159 **Q: Does this conclude your testimony?**

160 A: Yes.