



14-057-31

To: Utah Public Service Commission
From: Costco Wholesale
Date: March 9th, 2015
Re: Costco Objection to Questar Proposed Daily Transportation Imbalance Charge

Questar Gas Company (Questar) has requested that the Utah Public Service Commission (Commission) approve a tariff revision to allow it to charge gas transportation customers for upstream transportation and storage, no notice service, and other related costs associated with imbalances. The basis of the requested change to the Transportation Imbalance Charge is Questar's assertion that when an individual customer's actual usage fails to match its nominations on a daily basis, the customer uses Questar's transportation and storage services, which are paid for by core sales customers. Questar has requested to revise its tariff to allow it to calculate and adjust for daily imbalance charges twice per year.

Costco Wholesale objects to Questar's proposed tariff revision. There is no operational reason to require daily balancing for all transportation customers regardless of size, and no showing has been made that this proposed tariff revision is cost-justified or that there is a problem on the system which requires penalties as a resolution. Further, there has been no showing that any costs associated with transportation customers are being shifted to or subsidized by core sales customers.

Daily balancing with a 5 percent tolerance on any size customer is unreasonable during non-entitlement periods. For smaller transportation customers, the 5 percent tolerance level proposed by Questar could result in penalties to customers who under- or over-nominate by as little as 10 therms. Questar must show that the current system can provide real time daily balancing, before next day nominations and gas flow, in order for transportation customers to comply with the proposed revisions.

Questar's proposal would make it difficult, if not impossible, for customers to be transportation customers, and is therefore anti-competitive. A daily balancing requirement with a 5 or even 10 percent tolerance level, would result in substantial penalties even if there is no harm or additional costs imposed on the system arising from scheduling imbalances. For example, during a non-entitlement period, one small customer could be 5 percent over its nomination, and one similarly sized customer could be 5 percent under its nomination. In that case, there is no harm to the system, no additional costs incurred, although under Questar's proposal, both customers would be penalized.

Costco Wholesale believes a pool balancing service that allows visibility to daily usage on a meter by meter basis would provide the flexibility to stay within the 5% tolerance and avoid non-entitlement penalties altogether. Costco Wholesale notes that of the other regional local distribution companies' balancing provisions it has reviewed, Questar's proposal is among the most stringent. Northwest Natural Gas Company in Oregon uses monthly balancing. See Oregon Public Utility Commission Advice 14-25 (Jan. 1, 2015). Cascade Natural Gas Company uses a similar balancing arrangement in Oregon. See CNG/015-02-01.

Costco Wholesale appreciates the opportunity to file comments in this docket and reserves the right to file additional comments before the hearings currently scheduled in August 2015.

Sincerely,

Shay Reed
Energy Buyer
Costco Wholesale