

UAE /Nucor/CIMA Recommendations  
Regarding Questar Co.'s Transportation  
Imbalance Charge Proposal

**Technical Conference**

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# Summary of QGC Proposal

- QGC seeks to introduce a new daily Transportation Imbalance Charge that would be imposed on retail transportation customers to recover the costs for services that QGC alleges these customers use on the system but do not pay for.
- The proposed charge is intended to compensate QGC and its sales customer for the alleged use of upstream transportation, No-Notice and Storage Services

## UAE/Nucor/CIMA Recommendation

- **QGC's proposal to implement a Daily Transportation Imbalance Charge should be rejected by the Commission:**
  - The Company's proposal is premature, incompletely developed, and disruptive to existing market place efficiencies.
  - The alleged problem that QGC is attempting to address has not been previously recognized as a significant concern in Utah nor does it appear to be a matter of concern in the tariffs of other gas utilities in U.S.

## UAE/Nucor/CIMA Recommendations

- Only a handful of other utilities impose daily balancing requirements for transportation customers.
- These utilities either implement daily imbalance tolerances that are 3-5 times greater than QGC is proposing, or else direct the charge to suppliers:
  - **Southwest Gas accommodates a 25% tolerance band**
  - **Vectren (IN) provides for daily tolerance of 15%**
  - **Baltimore Gas & Electric charges \$0.005/Dth to suppliers instead of transportation customers**

# UAE/Nucor/CIMA Recommendations

- Before adopting any specific charge or rate design proposed by QGC, the Commission should sponsor a workshop process to investigate how daily balancing could be best accomplished, taking into account the full suite of market participants and the opportunities for using market mechanisms to manage daily imbalances.
- If the Commission decides to impose a daily imbalance charge on transportation customers, the specific charge proposed by QGC should be rejected.

# UAE/Nucor/CIMA Recommendations

If a Transportation Imbalance Charge is adopted:

- The Transportation and QPC Fuel Reimbursement categories should be removed from the price calculations.
- Customer imbalances that are within 5% of the aggregate usage on any given day should be excluded from the cost of the total daily transportation imbalance
- The calculation should take into account the reduction in storage activity that results when the transportation customer and imbalance and QGC sales imbalance move in opposite directions on any given day.
- Incorporating the above adjustments results in a Transportation Imbalance Charge of \$0.03695/Dth rather than the \$0.19064/Dth proposed by QGC.

# Transportation Imbalance Charge Calculation – Comparison of QGC and UAE/Nucor/CIMA Results

Transportation  
Charge Equation =

$\frac{\text{Volumetric rates for services used} \times \text{total net imbalance volumes}}{\text{Daily volumes outside of 5\% tolerance}}$

	<b>Component</b>	<b>QGC Volumetric Rate</b>	<b>UAE/Nucor/CIMA Volumetric Rate</b>
1	Transportation	\$0.17652	N/A
2	No-Notice Transportation	\$0.02852	\$0.02852
3	ACA Charge	\$0.00140	\$0.00140
4	QPC Fuel Gas Reimbursement	\$0.09124	N/A
5	Clay Basin Demand	\$0.09381	\$0.09381
6	Clay Basin Capacity	\$0.02378	\$0.02378
7	Clay Basin Fuel Gas Reimbursement	\$0.09263	\$0.09263
8	Injection/Withdrawal Avg	\$0.01415	\$0.01415
9	<b>Total Charge</b>	<b>\$0.52205</b>	<b>\$0.25429</b>

	<b>Calculation of Transportation Imbalance Charge</b>	<b>QGC</b>	<b>UAE/Nucor/CIMA</b>
10	Imbalance Decatherms	3,333,731	1,326,340
11	Adjusted Imbalance Decatherms <sup>1</sup>	9,128,985	9,128,985
12	Revenue Requirement <sup>2</sup>	\$1,740,374	\$337,275
13	<b>Transportation Imbalance Charge<sup>3</sup></b>	<b>\$0.19064</b>	<b>\$0.03695</b>

<sup>1</sup> Total daily imbalances for each customer, adjusted for a 5% imbalance tolerance

<sup>2</sup> Total Volumetric Rate x Imbalance Decatherms

<sup>3</sup> Revenue Requirement divided by Adjusted Imbalance Decatherms