

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE APPLICATION  
OF QUESTAR GAS COMPANY TO MAKE  
TARIFF MODIFICATIONS TO CHARGE  
TRANSPORTATION CUSTOMERS FOR  
SUPPLIER-NON-GAS SERVICES

Docket No. 14-057-31

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**SURREBUTTAL TESTIMONY OF WILLIAM F. SCHWARZENBACH**

**FOR QUESTAR GAS COMPANY**

August 14, 2015

**QGC Exhibit 2.0SR**

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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is William F. Schwarzenbach. My business address is 333 South State Street,  
4 Salt Lake City, Utah.

5 Q. Did you previously file testimony in this case?

6 A. Yes.

7 Q. What is the purpose of your Surrebuttal Testimony?

8 A. The purpose of my Surrebuttal Testimony is to respond to the rebuttal testimony offered  
9 by Mr. Higgins and Mr. Medura. I will 1) explain how transportation customers use  
10 Questar Gas' transportation capacity when they are out of balance and why this should be  
11 included in the transportation imbalance charge rate calculation; 2) show how allowing  
12 each Agent<sup>1</sup> to nominate in aggregate would adversely impact the Company's ability to  
13 manage transportation customers; 3) explain the Agents' role and responsibilities as the  
14 "supplier" for their customers and; 4) provide evidence that a 5% tolerance level is  
15 appropriate and a greater tolerance level would cause harm to sales service customers.

16 II. TRANSPORTATION CUSTOMERS' USE OF QUESTAR GAS'  
17 TRANSPORTATION CAPACITY

18 Q. Mr. Higgins suggests that "What both Mr. Mierzwa and the Company overlook in  
19 this discussion is that transportation customers are already responsible for covering  
20 their own transportation costs on the interstate pipeline" (Higgins Rebuttal, lines 155-  
21 157). Do you agree?

22 A. No. The Company acknowledges that transportation customers pay for and utilize their  
23 own transportation capacity to deliver natural gas supplies to the Questar Gas system.  
24 However, when transportation customers do not deliver the correct amount of gas to match

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<sup>1</sup> I intend that the term "Agent" will have the same meaning set forth in my Rebuttal Testimony, QGC Exhibit 2.0R.

25 their usage on a daily basis, the Company must use its own transportation capacity to  
26 remedy the situation.

27 In the event a transportation customer uses more gas than it has delivered to the Questar  
28 Gas system, the Company must increase the use of its own transportation capacity to move  
29 the additional supply to the city gate to make up the difference. When a transportation  
30 customer delivers gas in excess of its daily usage the Company must adjust the use of its  
31 own transportation capacity to manage the excess gas.

32 The cost of this transportation capacity is currently being paid for entirely by the sales  
33 customers. As transportation customers are using this upstream transportation service, it  
34 is appropriate that they should pay for it.

35 **III. AGGREGATION**

36 **Q. What positions have Mr. Higgins and Mr. Medura taken in relation to aggregation?**

37 **A.** Mr. Higgins testifies that a task force should consider “mechanisms by which daily  
38 balancing can be implemented at the supplier level” (Higgins Rebuttal, lines 92-93).

39 Mr. Medura states that “an agent’s aggregate volume is more easily balanced on a daily  
40 basis than at the individual customer level” (Medura Rebuttal, lines 33-34).

41 **Q. Do you agree that Agents should be allowed to manage nominations in aggregate for  
42 all of their customers?**

43 **A.** No. As stated in my rebuttal testimony in QGC Exhibit 2.0R, lines 31-59, Questar Gas  
44 needs each transportation customer to have an accurate daily nomination.

45 **Q. Why does Questar Gas need each transportation customer to have an accurate  
46 individual nomination on a daily basis?**

47 **A.** Questar Gas needs each customer to have an accurate daily nomination in order for the  
48 Company to manage situations with limited supply flexibility, generally referred to as a  
49 supply curtailment. During these situations, which are often unforeseen and

50 geographically specific, transportation customers are required to limit their usage to match  
51 their confirmed nomination (Scheduled Quantity) for the day.

52 Each customer needs to have an accurate nomination so that they have enough gas to use  
53 in this situation. Usage in excess of their confirmed nomination will result in the use of  
54 supplies meant for Questar Gas' sales customers. This could create a situation of  
55 inadequate supply availability for sales customers and result in the need to curtail firm sales  
56 customers.

57 During a supply curtailment, penalties are assessed at the customer level for any usage  
58 above their Scheduled Quantity. These penalties are the only mechanism the Company has  
59 to incent customers to adhere to these limitations.

60 **Q. Could there be other consequences?**

61 A. Yes. Mr. Wheelwright's testified to a number of potential harms including the need to  
62 "potentially shut in cost-of-service production" (Wheelwright Direct, lines 52-82). This  
63 testimony was not rebutted.

64 **Q. Would it be effective to have the Agents manage nominations in aggregate and have  
65 the Company charge the rate to the Agents?**

66 A. No. When there are supply curtailments or other situations that limit system flexibility,  
67 each customer needs to respond to the Company's call to restrict usage to match their  
68 Scheduled Quantity. If nominations are managed in aggregate at the Agent level, the  
69 Company will have no Scheduled Quantity to communicate to each transportation  
70 customer. The Company will have to communicate the aggregated supply limitation to the  
71 Agent. The Agent could then choose to absorb the financial consequence of disregarding  
72 a directive to curtail and not communicate the usage limitation to their customers. This is  
73 not the result that is needed or desired by the Company.

74 **Q. Why is it a problem if the Agent pays the penalties rather than requiring their  
75 customers to limit their usage?**

76 A. In the event of supply disruptions, Questar Gas may not have the ability to provide supply  
77 for the transportation customers that have not provided enough gas to the Questar Gas  
78 system. If the Agents choose to absorb the penalty instead of requiring transportation  
79 customers to limit usage when directed to do so, it could result in service interruptions to  
80 firm sales customers, including residential customers.

81 **Q. What leads you to the conclusion the Agents will absorb the penalties and not**  
82 **communicate the limitations to their customers?**

83 A. Agents have indicated to me that they would prefer that the Company not inform their  
84 customers of curtailment events or the charges and penalties that result when their  
85 customers fail to curtail when directed to do so. Following recent curtailment events, a  
86 number of Agents contacted the Company and requested that future curtailment events be  
87 handled through them so that their customers would never be informed of the issue. The  
88 Company is also aware that in some instances the Agents have reimbursed their customers  
89 for penalties for their customers that resulted from these events.

90 **IV. ROLES AND RESPONSIBILITIES OF THE AGENTS**

91 **Q. Can you describe some of the responsibilities associated with transportation service**  
92 **that Agents assume on behalf of their customers?**

93 A. The Utah Natural Gas Tariff 400 (Tariff) provides, “A transportation customer must  
94 monitor the amount of gas delivered to the Company's system from any upstream pipeline  
95 less fuel reimbursement and its usage of gas at its premises. If necessary, a customer must  
96 make adjustments to maintain a balance between gas received to the Company's system  
97 less fuel reimbursement and its usage.”

98 Agents assume this responsibility for each of the transportation customers they agree to  
99 represent. As a result, the Agent has the responsibility to nominate and make nomination  
100 adjustments to match usage for each of their customers on a daily basis.

101 **Q. Mr. Higgins suggests that not allowing aggregation would result in “no**  
102 **acknowledgment or role for gas suppliers in such a regime” (Higgins Rebuttal, lines**  
103 **86-87). Do you agree?**

104 A. No. The Agents will continue to have the same roles and responsibilities that they have  
105 always had, even if the proposed changes in this docket are approved. Each Agent takes  
106 on the role of “supplier” and must provide gas supply for each of their customers. The  
107 current process allows each Agent to deliver gas from upstream pipelines to the Questar  
108 Gas system on behalf of each of their customers. Agents can consider all of their customers  
109 in aggregate when purchasing and transporting their supplies to the city gate. This role  
110 will not be changed. The only difference will be that the customers will choose to either  
111 manage nominations so they do not use Questar Gas’ contracted upstream services, or pay  
112 the costs associated with the services they use.

113 **V. 5% TOLERANCE**

114 **Q. In his testimony, Mr. Medura states that he believes “the 5% tolerance may be too**  
115 **restrictive” (Medura Rebuttal, lines 37-38). How do you respond?**

116 A. As, explained in my rebuttal testimony in QGC Exhibit 2.0R, lines 167-170, the 5%  
117 tolerance is not a restriction. The Company’s proposal will allow the transportation  
118 customers to continue to utilize the Company’s contracted no-notice transportation,  
119 transportation and storage services, when available, to assist in managing daily imbalances.

120 **Q. Why does the Company want to limit the tolerance to 5%?**

121 A. As explained in my rebuttal testimony in QGC Exhibit 2.0R, lines 208-215, and Mr.  
122 Mendenhall’s rebuttal testimony in QGC Exhibit 1.0R, lines 159-168, transportation  
123 customers will be using the no-notice transportation, transportation and storage services  
124 any time their nomination differs from their usage (no tolerance). Questar Gas believes that  
125 the transportation customers should pay for these services any time they are used. However,  
126 Questar Gas proposed a 5% tolerance as a concession, based upon discussions during the  
127 2014 working group.

128 **Q. Do you have other evidence that a 5% tolerance is reasonable?**

129 A. Yes. As Mr. Mendenhall explains, the Commission has already considered and approved  
130 a daily 5% tolerance level for the purpose of commodity balancing. Tariff Section 5.09  
131 already provides that “The Company will allow  $\pm$  5% of a customer's volumes delivered  
132 from upstream pipelines as a daily imbalance tolerance window.”

133 **Q. Do you believe the Company’s proposal, including the 5% tolerance, will result in**  
134 **more accurate nominations for transportation customers?**

135 A. Yes. Even with the 5% tolerance, the transportation customers will have an economic  
136 incentive to make accurate nominations on a daily basis. One of the purposes of the  
137 imbalance charge is to provide this incentive to the customer in order to promote  
138 communication of expected usage to their Agents. Mr. Swenson confirms that, if the  
139 Commission approved the Company’s proposal, “US Magnesium’s difference between its  
140 nomination and usage under the proposed new charge for daily inaccuracy will likely be  
141 much closer, and its suppliers might not be able to use the US Magnesium load for  
142 aggregate imbalance swings” (Swenson Rebuttal, lines 67-70).

143 **Q. Is it reasonable to assume that transportation customers can provide the information**  
144 **necessary for the Agent to match nominations to usage within a 5% tolerance**  
145 **window?**

146 A. Yes. In fact, Mr. Medura confirmed that “CIMA’s customers can and do provide us with  
147 a daily nomination that is within 5% of their actual usage” (Medura Rebuttal, lines 26-27).  
148 Those customers who cannot, or will not, accurately match their nominations to their usage  
149 should be charged for the upstream services they use.

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

151 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 August, 2015.

\_\_\_\_\_  
Notary Public