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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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PREFILED SURREBUTTAL TESTIMONY OF ROGER J. SWENSON

US Magnesium LLC hereby submits the Prefiled Surrebuttal Testimony of Roger J. Swenson in this docket.

DATED this 14th day of August 2015.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
Attorneys for US Magnesium LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 14th day of August 2015 on the following:

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BEFORE
THE PUBLIC SERVICE COMMISSION OF UTAH

Surrebuttal Testimony of

ROGER J. SWENSON

On behalf of US Magnesium LLC

Docket No. 14-057-31

August 14, 2015

1 **Q. Please state your name and business address.**

2 A. My name is Roger Swenson. My business address is 1592 East 3350 South, Salt Lake
3 City, Utah.

4 **Q. Did you submit direct and rebuttal testimony on behalf of US Magnesium in this**
5 **docket?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony in this Docket?**

8 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Kelly
9 Mendenhall of the Company and Gavin Mangelson of the Office of Consumer Services.

10 **Q. What do Mr. Mendenhall and Mr. Mangelson focus on in their rebuttal testimony?**

11 A. Both suggest that further work on this matter in a working group context would be a waste
12 of time. Mr. Mendenhall also suggests that giving customers more direct information as to
13 what their potential penalties would be would not change anything. In addition, Mr.
14 Mendenhall seems to refocus in rebuttal testimony on the derivation of his proposed rate
15 based on value-based ratemaking concepts, given that no incremental costs are being
16 incurred.

17 **Q. Do you agree that no further workshop efforts would be useful?**

18 A. No. I believe there are a number of critical issues that have not been adequately explored
19 or explained in testimony that would benefit from further workgroup analysis.

20 **Q. What specifically do you believe could be done in a working group in this matter?**

21 A. I believe that at least the following are important topics that could profitably be explored
22 in a workshop context:

23 1. Refine costing principles for value-based rate determinations. For example, should
24 value-based ratemaking use the highest possible implied valuation of a component, the
25 lowest possible implied valuation or market value when available?

26 2. Develop an effective customer communication channel to convey information about
27 the potential new cost of nominating inaccurately. For example, should a billing insert be
28 provided to show the total monthly or yearly cost to a TS customer based on actual
29 historic data in order to incent TS customers to better manage nominations? If the
30 Company was ordered to start sending this information out now as a first step, then the
31 working group could track the progress of sending direct pricing signals to customers.

32 3. Design a better customer gas use forecasting system for customers. For example,
33 because the people with the most knowledge of forecasting should include Company
34 personnel, these experts could help less sophisticated TS customers understand that gas
35 usage can be predicted and managed and nominations need not be based solely on
36 historic average daily usage.

37 4. Explore the inter-class dynamics of imbalances to determine whether there may be
38 periods where TS customer daily imbalances actually provided benefits to the system.

39 For example, on line 240 of his Rebuttal Testimony Mr. Mendenhall suggests that there
40 are periods where offsets create circumstances where no transportation services occur.

41 We should clearly understand and identify such circumstances so that a better costing
42 determination can be made.

43 **Q. You mention that Mr. Mendenhall seems to be moving toward a “value of service”**
44 **basis for his proposed rates in this matter. Does that cause you concern?**

45 A. Yes. Mr. Mendenhall brings up value of service in two places in his rebuttal testimony, line
46 90 and line 227. In all of the regulatory ratemaking proceedings that I have been involved
47 in over the years, I don’t ever recall such a value-of-service approach being used to
48 determine rates for a class of customers. I expect that going into this type of analysis could
49 lead to some very interesting consequences for all rates determined before this commission
50 if value-of-service is deemed appropriate in this case when no costs are being incurred. I
51 think this idea should be explored in more detail so that potential consequences, intended
52 and unintended, of this approach can be analyzed. It is certainly likely that, in other types
53 of rate determinations, one class of customer could argue that a cost-of-service based rate
54 may not produce the same rate as a value-of-service approach. It is not clear where this
55 type of value-based ratemaking may lead, but before taking such a step we should carefully
56 consider the consequences.

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

58 A. Yes.