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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

POST-HEARING BRIEF OF THE
DIVISION OF PUBLIC UTILITIES

Pursuant to an opportunity granted by the Public Service Commission of Utah (Commission) at the August 26, 2015 hearing in the above-referenced docket, the Utah Division of Public Utilities (Division) files its post-hearing brief.

Introduction

The evidence in this case is uncontroverted and conclusively establishes that Transportation Service customers (TS customers) are using Supplier Non-Gas Services (SNG Service) provided by Questar Gas Company (Questar Gas or the Company).¹

¹ See, e.g., Direct Testimony of Kelly B. Mendenhall, p. 2, lines 25-52, p. 3, line 53, Exhibits 1.1 and 1.3 and Testimony, Hearing Transcript, generally pp. 17-19. See Surrebuttal Testimony of William F. Schwarzenbach, p. 3 lines 52-56 and Testimony, Hearing Transcript, pp. 101-105. See Direct Testimony of Mr. Douglas D. Wheelwright, p. 3 lines 52-77 and p. 4, lines 78-82. See Surrebuttal Testimony of Mr. Michael R. McGarvey for Summit Energy, LLC, p. 7, lines 126-132 and Testimony, Hearing Transcript,

SNG Services “include but are not limited to upstream pipeline transportation, storage and no-notice service.”²

Furthermore, the evidence in this case conclusively proves that TS customers are not paying for their use of SNG Services.³ Instead, the TS customers are being subsidized by Firm Sales customers.

Transportation Service Customers Should Pay for the SNG Services They Use

Questar Gas’ TS customers should pay \$1.7 million for the SNG Services they are using.⁴ While at first the Division was unpersuaded that Questar Gas had supported this amount,⁵ as the docket unfolded, the Division determined that the \$1.7 million was “not excessive” and should be paid by TS customers.⁶

Arguments that the TS customers should not pay for the SNG Services they use are unsupportable. A contention that TS customers should not pay for using these services because they arguably did not specifically request them, is unpersuasive and inimical to good ratemaking practice.⁷ TS customers rely upon SNG Services to manage imbalances. They do so knowingly.⁸ Marketers, too, rely upon SNG Services

pp. 192-193. See Testimony of Mr. Matthew Medura on behalf of CIMA at Hearing Transcript, pp. 208-209.

² Direct Testimony of Kelly B. Mendenhall, p. 1, lines 13-14 and Testimony, Hearing Transcript, pp. 18-19.

³ See, e.g., Direct Testimony of Mr. Mendenhall at p. 1, lines 17-24, and Testimony, Hearing Transcript, at p. 26, lines 16-24. See, Testimony of Mr. McGarvey, Hearing Transcript, p.192, lines 7-11.

⁴ In the future, it is likely that the \$1.7 million figure will change. The Company calculated this amount based on the TS customers’ use of balancing services during a specific time period.

⁵ See Direct Testimony of Mr. Wheelwright at p. 12, lines 279-281, “I do not believe that the Company has presented sufficient information at this point to validate the appropriate costs that should be assigned to the TS class or their method of recovery.”

⁶ See Surrebuttal Testimony of Mr. Wheelwright, p. 2, lines 41-44, “In summary the Division agrees with the Company that transportation customers should pay for the services that are being using [sic]. The calculated dollar amount of \$1.7 million from transportation customers does not appear to be excessive and would be credited to sales customers through the 191 account.”

⁷ See Testimony of Mr. Mendenhall, Hearing Transcript, p. 34.

⁸ See footnote 9, *infra*.

as it appears that marketers do not “shut off” their shippers if there is a daily imbalance.⁹ Also unconvincing is the attempt to differentiate the amount payable as the “value” of the SNG Services used without regard to the cost of such services.¹⁰ Regulation historically is cost based, and costs are, at least arguably, objective, particularly when arrived at through competitive markets. Lastly, an argument that TS customers should pay nothing because Firm Sales customers pay for all SNG Services is also unavailing. Costs should follow usage, and the Firm Sales customers should be reimbursed by TS customers for their usage of SNG Services. If the TS customers feel the cost exceeds the value received, they may adjust nominations to more accurately supply their own needs each day.

Causing TS customers to pay for SNG Services used could encourage TS customers to better manage nomination imbalances, reducing their share of SNG Service costs.¹¹ If the TS customers do not pay for the SNG Services they use, they become a “free rider” class as far as SNG Services are concerned. That is not just, reasonable, or in the public interest.

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⁹ See Testimony of Mr. McGarvey, Hearing Transcript, p. 193, lines 12-15. Mr. McGarvey was asked, “Also, if necessary, would you cut customers or tell customers to –” and he rapidly responded, “Oh, no, no, no, no, no, no, no. That’s just not done. You lose customers that way.” He also admitted that if too much gas was delivered, he would not contract independently for storage service, but would redirect at the “pipeline level.” Id. at lines 18-22. This would result in an imbalance because he does not know what gas is used “the day of.” See Id. at pp. 192-193. See also Testimony of Mr. Medura, Hearing Transcript, p. 208, lines 20-25 and p. 209, lines 1-19 where in response to the question, “Is gas cut off to a customer who nominates less than it uses,” he replies “it is not” and later that excess gas “goes into their imbalance account.”

¹⁰ See Testimony of Mr. Mendenhall, Hearing Transcript, pp. 35-43, p. 58 lines 24-25, and p. 59, lines 1-16.

¹¹ See Testimony of Mr. Mendenhall, Hearing Transcript, p. 59, lines 17-24.

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The \$1.7 Million Amount Paid by Transportation Service Customers Should Be Credited to Firm Sales Customers through the Account 191 Process

Currently, only Firm Sales customers pay for SNG Services. This subsidization of TS customers is inconsistent with regulatory principles, unreasonable, and not in the public interest. Payments from TS customers for SNG Services should be credited to Firm Sales customers to compensate them for the use of services for which only they pay. This crediting should be accomplished through the use of the existing 191 Account process.¹² Importantly, Questar Gas is not attempting to get a windfall for its shareholders from having TS customers pay for services used. Questar Gas is attempting to have cost responsibility follow usage.

Transportation Service Customers Should Pay on a Flat Volumetric Fee Basis

The Division and the Office propose that the \$1.7 million should be collected through a flat rate.¹³ A flat rate has advantages over other methods because a flat rate “will have a greater impact on the large volume customers”¹⁴ and may provide “the ability for customers to more accurately predict and budget for this additional cost for planning purposes.”¹⁵ Additionally, the flat rate method has a track record: other LDCs use “[a] flat per dekatherm charge for balancing services . . . for transportation

¹² The claim that utilizing the 191 Account process will increase costs to the TS customers does not subtract from the value to the Questar Gas system and all ratepayers which will result from having more accurate cost responsibility as an outcome of those proceedings. See Direct Testimony of Mr. Mendenhall, p. 9, lines 202-206.

¹³ See Surrebuttal Testimony of Mr. Douglas D. Wheelwright, p. 11, lines 270-282 and p. 12, lines 1-2.

¹⁴ Surrebuttal Testimony of Mr. Wheelwright, p. 11, lines 273-274.

¹⁵ Id. at p. 11, lines 281-282.

customers.”¹⁶ Significant disadvantages exist with the Company’s complex calculation method.¹⁷

Questar Gas Should Improve the Nomination Process by Better Utilizing Existing Tariff Provisions Such as Sections 5.01 and 5.09, Not By Imposing a Daily ± 5 Percent Imbalance Provision

Existing tariff provisions provide a means for Questar Gas to improve its nomination process. Section 5.09 already identifies $\pm 5\%$ as the daily imbalance tolerance window. The existing tariff permits the Company to impose balancing restrictions to be applied on a system-wide basis, a nominating party by nominating party basis, a customer by customer basis, or a geographic area basis, as circumstances reasonably require. Notably, the current tariff permits Questar Gas to impose restrictions tighter than $\pm 5\%$. This usually has not been done.¹⁸ Furthermore, Section 5.01 permits Questar Gas to charge TS customers for costs or charges as a result of the transportation of the customer’s gas to the Company distribution system. The Company admitted that the reimbursement provision in Section 5.01 has not been used.¹⁹

Questar Gas should use existing tariff provisions rather than be granted the requested additional restrictive ability. The Company could place larger volume TS customers on restriction under this tariff provision, improving system operations when needed. The reimbursement provision could be utilized.

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¹⁶ Surrebuttal Testimony of Douglas D. Wheelwright at p. 11, line 283 and p. 12 at lines 283-284.

¹⁷ See Surrebuttal Testimony of Mr. Wheelwright at p. 10, lines 247-258 and p. 11, lines 259-269 discussing the difficulty of predicting costs and whether this method would produce behavior changes by TS customers.

¹⁸ See Testimony of Mr. Schwarzenbach, Hearing Transcript, p. 109, lines 6-12.

¹⁹ See Testimony of Mr. Mendenhall, Hearing Transcript, p. 28, lines 1-5.

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A Work Group Should Be Established to Continue Discussions and Refine the Nominations Process

Workgroups and discussions have resulted in greater understanding of the issues involved in this docket and have shaped Questar Gas' proposal and parties' positions. Even Questar Gas, which opposes a work group being established in this docket,²⁰ acknowledges that discussions have been beneficial.²¹ Accordingly, the Commission should order formation of a work group to continue discussions and provide the Commission with a report on activities.

The Division appreciates this opportunity to file its post-hearing brief and respectfully requests that the Commission issue an order consistent with the Division's testimony and as set forth above.

Submitted this ____ day of September 2015.

Patricia E. Schmid
Assistant Attorney General
*Attorney for Utah Division of
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²⁰ See Testimony of Mr. Mendenhall, Hearing Transcript, p. 28, lines 21-25.

²¹ See Testimony of Mr. Mendenhall, Hearing Transcript, p. 28, lines 13-20.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the POST-HEARING BRIEF OF THE DIVISION OF PUBLIC UTILITIES in Docket No. 14-057-31 was served by e-mail this ____ day of August 2015 on the following:

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