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 PEAK HOUR SERVICES	Docket No. 17-057-09

DIRECT TESTIMONY OF KELLY B MENDENHALL

FOR QUESTAR GAS COMPANY

May 1, 2017

QGC Exhibit 1.0

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake City, Utah.

Q. By whom are you employed and what is your position?

A. I am employed by Questar Gas Company (Questar Gas or Company) as the General Manager of Regulatory Affairs. I am responsible for state regulatory matters in Utah and Wyoming. My qualifications are included in Exhibit 1.1.

Q. Attached to your written testimony are QGC Exhibits 1.1 through 1.8. Were these prepared by you or under your direction?

A. Yes.

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

A. The purpose of my testimony is to explain the peak hour needs on the Questar Gas system, discuss alternative services available to meet this need and propose a mechanism to charge transportation customers an allocated share of the costs of these firm peaking services.

II. PEAK HOUR DEMAND

Q. What is peak hour demand?

A. Peak hour demand is the hour during the day when total customer usage is at its highest. QGC Exhibit 1.2 provides a graphical example of the calculated peak hour on the Questar Gas system for the last seven Integrated Resource Plan (IRP) heating seasons. This graph, prepared by the system planning and analysis engineering group, shows the expected usage by hour for all firm sales and transportation customers, assuming a peak weather event.

Q. How does peak hour demand differ from peak day demand?

A. Peak day demand calculates the total amount of usage during a 24-hour period (day), while the peak hour demand is the maximum flow rate during that day.

A good everyday comparison between peak hour demand and peak day demand would be driving an automobile. I might drive 60 miles in one hour. During that hour I may have a maximum speed of 70 miles per hour. Peak day measures the average rate of flow for the entire period (60 mph) while peak hour measures the maximum flow for the period (70 mph). QGC Exhibit 1.3 shows the usage by hour compared to the average usage for the peak day. As the graph shows, the estimated 2016/2017 peak hour of 2.05 BCF is 17% higher than the average usage for the peak day of 1.74 BCF.

Q. Is any portion of the usage that is above the peak day provided on a firm basis?

A. No. When hourly usage is above the firm contractual daily amounts, the upstream pipelines that serve Questar Gas can only meet those usage levels on an operationally available (interruptible) basis. It is not guaranteed on a firm basis.

III. PEAK HOUR SOLUTIONS

Q. Are there solutions available to manage the peak hour demand usage on a firm basis?

A. Yes. As discussed in our 2016/2017 Integrated Resource Plan, there are several different ways to manage peak hour demand so that system reliability for all of our customers is not impaired. One possible solution is demand response, where firm customers have agreed to (or are willing to) reduce usage during that peak period of time. Unfortunately, when the Company questioned large customers about their willingness to reduce usage during this period of time, the customers did not embrace the idea. Additionally, our recent experience with interrupting or curtailing customers during peak events has reinforced the fact that many customers (almost half during the last interruption) were unable or unwilling to reduce usage when called-upon to do so.

Another option that many utilities use to manage their fluctuations is on-system storage such as liquefied natural gas facilities. As explained in IRP workshops this year and last year's IRP, the Company continues to evaluate this option as a long-term solution.

Additionally, there are other upstream pipelines who also offer a firm peak service.

Q. How has Questar Gas explored different ways to manage its Peak Hour issue?

A. On February 26, 2016, Questar Gas issued a request for proposal to pipeline companies and marketers for potential services that could meet future peak hour needs. Kern River Transmission Company (Kern River) and Questar Pipeline LLC (Questar Pipeline) both provided proposals for potential peak hour services. On August 17, 2016, Kern River filed with the Federal Energy Regulatory Commission (FERC) in Docket RP16-1174-000 to implement a new, firm peaking transportation service on its pipeline. The service was approved by the FERC on September 16, 2016. A copy of the Commission letter order is shown in Exhibit 1.4.

Q. Will the Company be using these services in the upcoming 2017/2018 winter heating season?

A. Yes. The Company has entered into a precedent agreement with Kern River to provide 100,000 Dth of Firm Peaking Service in the 2017/2018 winter heating season and additional volumes in future winter heating seasons. The total cost of this contract is $864,500. This cost has been included in the Company's May 1 pass through filing. Questar Gas continues to review other options to meet the remaining peak hour demand requirements.

Q. Please explain how the Kern River Firm Peaking Service works.

A. The service provides for the delivery of up to 4,167 Dth per hour during a six-hour period for a total delivery not to exceed 25,000 Dth per day, which is the hourly equivalent of 100,000 Dth/day. This is achieved by nominating the gas on Kern River and effectively packing the Kern River system prior to the peak hour and then drafting their system during the hours the service is in use. Questar Gas will nominate the gas to be used during peak periods during normal NAESB nomination cycles. In an effort to match the service term with when the Peak Day can occur, the Peaking Service will begin November 15 and extend through February 14, and will be provided under the Rate Schedule KRF-PK.

IV. TRANSPORTATION CUSTOMER CHARGE

Q. Are you proposing to charge transportation customers for the use of these Peak Hour services?

A. Yes. These customers contribute to the peak hour and the Company proposes that they pay for a portion of these services.

Q. How do transportation customers contribute to the peak hour?

A. Exhibit 1.5 shows the average hourly usage for transportation customers (less Lakeside) used during the 2016/2017 winter heating season. As the graph shows, the differential between the transportation customers' peak hour and average daily usage is about 17%. Notice that this differential is similar to the overall system peak day differential of 17% shown in Exhibit 1.3. It should be noted that the peak day/peak hour differential for transportation volumes shown in Exhibit 1.5 includes interruptible volumes.

Q. Do you take the non-weather-sensitive usage into account when calculating your charge for the transportation customers?

A. Yes. During the 2016/2017 winter heating season transportation customers (excluding Lakeside) used 458.3 MMDth, or about half of the total gas usage on the Utah system as shown in the table below:

	Sales	Transportation	Total
November 2016	93,785,309	91,556,303	185,341,612
December 2016	94,017,386	91,423,401	185,440,787
January 2017	95,476,290	92,247,481	187,723,771
February 2017	93,942,106	91,854,676	185,796,782
March 2017	92,940,802	91,198,480	184,139,282
Total	470,161,893	458,280,341	928,442,234
Percent of Total	50.6%	49.4%	100%

While the transportation customers use almost half of the gas consumed in Utah during the winter heating season, I am proposing to allocate them a much smaller portion of the peak hour service costs by allocating these costs based on their peak day usage.

Q. How is the peak day usage calculated?

A. The peak day calculation includes both transportation and sales volumes. Each transportation customer contracts for a certain amount of firm transportation service per day. This contractual amount is aggregated for all transportation customers to determine the total firm demand for the transportation class. For sales customers a statistical algorithm is used to determine their overall usage on a peak day. As explained in the Company's IRP section 3, the statistical algorithm includes inputs such as historical usage, temperature and wind speed to determine what the sales customer usage would be during a peak event. Both the transportation and sales customer's peak hour demands are added together to calculate the total peak day demand.

Q. What percentage of the peak day demand is attributable to the transportation customers?

A. The table below shows the Peak Day allocation (excluding Lakeside) for the 2016/2017 integrated resource plan:

Customer Group	**Usage**	**Percentage**
Sales (GS, FS)	**1,316,588**	**86.1%**
Transportation (TS, FT-1, MT)	**213,201**	**13.9%**
Total	**1,529,789**	**100%**

As the table shows, about 13.9% of the peak day costs would be assigned to the transportation customers. Multiplying 13.9% by the $864,500 total cost of the Kern River firm peaking service results in an allocation of $120,166 to transportation customers.

Q. How do you propose to collect this $120,166 from transportation customers?

A. I propose to collect these costs through a demand charge. As the table above shows, firm transportation customers are currently signed up for 213,201 Dth in firm demand. Dividing $120,166 by 213,201 results in a firm peaking demand charge of $0.56 per Dth, paid annually.

Q. What impact does this charge have on the typical transportation customer?

A. QGC Exhibit 1.6 provides a sample for the impact on three transportation customers using different levels of usage. While it is difficult to identify a "typical" transportation customer, the exhibit calculates the bill impact has been calculated for three different size customers. As the exhibit shows, the impact is between 0.04% and 0.12%, assuming a $2.50/Dth gas commodity price.

V. TARIFF SHEETS

Q. Have you updated the FT-1, TS and MT tariff sheets to include this new charge?

A. Yes. The tariff has been updated to include a description of the Peak Hour Demand Charge and the $0.56/Dth per year rate. The updated rate sheets for the TS, FT-1 and MT classes include this charge. Legislative and Proposed versions of these tariff sheets are included in QGC Exhibit 1.7. QGC Exhibit 1.8 includes legislative and proposed versions of the combined changes proposed in this docket and in Docket 17-057-08.

Q. When are you proposing the rate become effective?

A. The Company is proposing that this rate become effective June, 1, 2017.

Q. How will this rate be calculated going forward?

A. The Company is proposing to calculate this rate along with the other Supplier Non-Gas rates at the time of each pass-through application. The rate would be calculated based on the percentage of combined transportation firm demand in the most recent integrated resource plan and the annual costs for the firm peaking services from Kern similar to what I have done

in this application. The rate would be included as part of the FT-1, TS and MT rate schedules.

Q. How will the Company treat the revenues collected from this charge?

A. These revenues will be treated as a reimbursement to sales customers for the use of the firm peaking hourly service that they are paying for in their rates. Any money collected from transportation customers will be credited to sales customers in the 191 account in each pass-through application.

VI. RECOMMENDATIONS

Q. Can you summarize your recommendations?

A. Yes. Questar Gas is in need of Firm Peaking Services to manage the peak hour demand fluctuations on its system caused by transportation and sales customers. To more properly match costs to the transportation customers who utilize the services, the Company is requesting that the transportation Firm Peaking demand charge be added to the FT-1, TS and MT rate schedules effective June 1, 2017. In addition the Company is requesting that it be allowed to recalculate the rate as part of each pass-through filing and that the revenues collected from this charge be credited to all sales customers as a credit to the 191 account in pass-through proceedings.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Kelly B Mendenhall, 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.

_____
Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this _____ day of May, 2017.

_____
Notary Public