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Attorney for Questar Gas Company

#### 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

# SUBMISSION OF CORRECTED QGC EXHIBIT 1.0C

Questar Gas Company (Questar Gas or Company) respectfully submits the attached Corrected QGC Exhibit 1.0C. The table originally filed on line 93 of QGC Exhibit 1.0 included 12 month rolling totals instead of monthly total for the months November 2016 through March 2017. The table has been updated with correct monthly amounts. This correction has no impact on any of the exhibits or the rate calculation.

Accordingly, the Company respectfully submits the attached QGC Exhibit 1.0C and requests that the Utah Public Service Commission substitute the attached QGC Exhibit 1.0C for the previously-filed QGC Exhibit 1.0.

RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of May, 2017.

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QUESTAR GAS COMPANY

elson Clark

Jenniffer Nelson Clark Questar Gas Company

Attorney for Questar Gas Company

#### **CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the Submission of Corrected QGC

Exhibit 1.0C was served upon the following persons by e-mail on May 4, 2017:

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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 PEAK HOUR SERVICES

Docket No. 17-057-09

### DIRECT TESTIMONY OF KELLY B MENDENHALL

# FOR QUESTAR GAS COMPANY

May 4, 2017

QGC Exhibit 1.0C

DIRECT TESTIMONY OF KELLY B. MENDENHALL

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**QGC Ехнівіт 1.0С** Docket No. 17-057-09 Раде іі

# **TABLE OF CONTENTS**

I.	INTRODUCTION1
II.	PEAK HOUR DEMAND1
III.	PEAK HOUR SOLUTIONS2
IV.	TRANSPORTATION CUSTOMER CHARGE4
v.	TARIFF SHEETS
VI.	RECOMMENDATIONS7

DIRECT TESTIMONY OF KELLY B. MENDENHALL

34

1		I. INTRODUCTION	
2	Q.	Please state your name and business address.	
3	А.	My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake	
4		City, Utah.	
5	Q.	By whom are you employed and what is your position?	
6	А.	I am employed by Questar Gas Company (Questar Gas or Company) as the General Manager	
7		of Regulatory Affairs. I am responsible for state regulatory matters in Utah and Wyoming.	
8		My qualifications are included in Exhibit 1.1.	
9	Q.	Attached to your written testimony are QGC Exhibits 1.1 through 1.8. Were these	
10		prepared by you or under your direction?	
11	A.	Yes.	
12	Q.	What is the purpose of your testimony in this Docket?	
13	А.	The purpose of my testimony is to explain the peak hour needs on the Questar Gas system,	
14		discuss alternative services available to meet this need and propose a mechanism to charge	
15		transportation customers an allocated share of the costs of these firm peaking services.	
16		II. PEAK HOUR DEMAND	
17	Q.	What is peak hour demand?	
18	A.	Peak hour demand is the hour during the day when total customer usage is at its highest.	
19		QGC Exhibit 1.2 provides a graphical example of the calculated peak hour on the Questar	
20		Gas system for the last seven Integrated Resource Plan (IRP) heating seasons. This graph,	
21		prepared by the system planning and analysis engineering group, shows the expected usage	
22		by hour for all firm sales and transportation customers, assuming a peak weather event.	

DIRECT TESTIMONY OF KELLY B MENDENHALL **QGC EXHIBIT 1.0C** DOCKET NO. 17-057-09 PAGE 2

23 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 24 25 the peak hour demand is the maximum flow rate during that day. 26 A good everyday comparison between peak hour demand and peak day demand would be 27 driving an automobile. I might drive 60 miles in one hour. During that hour I may have a 28 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). 29 30 QGC Exhibit 1.3 shows the usage by hour compared to the average usage for the peak day. 31 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. 32 Is any portion of the usage that is above the peak day provided on a firm basis? 33 Q. No. When hourly usage is above the firm contractual daily amounts, the upstream pipelines 34 A. 35 that serve Questar Gas can only meet those usage levels on an operationally available 36 (interruptible) basis. It is not guaranteed on a firm basis. III. 37 PEAK HOUR SOLUTIONS Are there solutions available to manage the peak hour demand usage on a firm basis? 38 Q. 39 Yes. As discussed in our 2016/2017 Integrated Resource Plan, there are several different A. 40 ways to manage peak hour demand so that system reliability for all of our customers is not 41 impaired. One possible solution is demand response, where firm customers have agreed to 42 (or are willing to) reduce usage during that peak period of time. Unfortunately, when the 43 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 44 45 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 46 47 when called-upon to do so.

DIRECT TESTIMONY OF KELLY B MENDENHALL

# **QGC EXHIBIT 1.0C** DOCKET NO. 17-057-09 PAGE 3

- 48 Another option that many utilities use to manage their fluctuations is on-system storage such 49 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. 50
- 51 Additionally, there are other upstream pipelines who also offer a firm peak service.

- 52 How has Questar Gas explored different ways to manage its Peak Hour issue? Q.
- 53 A. On February 26, 2016, Questar Gas issued a request for proposal to pipeline companies and 54 marketers for potential services that could meet future peak hour needs. Kern River 55 Transmission Company (Kern River) and Questar Pipeline LLC (Questar Pipeline) both 56 provided proposals for potential peak hour services. On August 17, 2016, Kern River filed 57 with the Federal Energy Regulatory Commission (FERC) in Docket RP16-1174-000 to 58 implement a new, firm peaking transportation service on its pipeline. The service was 59 approved by the FERC on September 16, 2016. A copy of the Commission letter order is 60 shown in Exhibit 1.4.

#### 61 Will the Company be using these services in the upcoming 2017/2018 winter heating Q. 62 season?

- 63 Yes. The Company has entered into a precedent agreement with Kern River to provide A. 64 100,000 Dth of Firm Peaking Service in the 2017/2018 winter heating season and additional 65 volumes in future winter heating seasons. The total cost of this contract is \$864,500. This 66 cost has been included in the Company's May 1 pass through filing. Questar Gas continues 67 to review other options to meet the remaining peak hour demand requirements.
- Please explain how the Kern River Firm Peaking Service works. 68 Q.
- 69 A. The service provides for the delivery of up to 4,167 Dth per hour during a six-hour period for 70 a total delivery not to exceed 25,000 Dth per day, which is the hourly equivalent of 100,000 71 Dth/day. This is achieved by nominating the gas on Kern River and effectively packing the 72 Kern River system prior to the peak hour and then drafting their system during the hours the 73 service is in use. Questar Gas will nominate the gas to be used during peak periods during 74 normal NAESB nomination cycles. In an effort to match the service term with when the

DIRECT TESTIMONY OF KELLY B MENDENHALL

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.

#### 77 IV. TRANSPORTATION CUSTOMER CHARGE

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

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

# 82 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.

# 89 Q. Do you take the non-weather-sensitive usage into account when calculating your charge 90 for the transportation customers?

A. Yes. During the 2016/2017 winter heating season transportation customers (excluding
Lakeside) used 22.7 MMDth, or about one quarter of the total gas usage on the Utah system
as shown in the table below:

	Sales	Transportation	Total
November 2016	8,997,242	4,074,679	13,071,921
December 2016	19,044,341	4,963,454	24,007,795
January 2017	20,509,837	5,131,690	25,641,527
February 2017	14,065,435	4,256,919	18,322,354
March 2017	9,777,275	4,276,641	14,053,916
Total	72,394,131	22,703,383	95,097,514
Percent of Total	76%	24%	100%

**QGC EXHIBIT 1.0C** DOCKET NO. 17-057-09 PAGE 5

DIRECT TESTIMONY OF KELLY B MENDENHALL

94 While the transportation customers use almost one quarter of the gas consumed in Utah 95 during the winter heating season, I am proposing to allocate them a smaller portion of the 96 peak hour service costs by allocating these costs based on their peak day usage.

97

Q. How is the peak day usage calculated?

98 A. The peak day calculation includes both transportation and sales volumes. Each 99 transportation customer contracts for a certain amount of firm transportation service per day. 100 This contractual amount is aggregated for all transportation customers to determine the total 101 firm demand for the transportation class. For sales customers a statistical algorithm is used 102 to determine their overall usage on a peak day. As explained in the Company's IRP section 103 3, the statistical algorithm includes inputs such as historical usage, temperature and wind 104 speed to determine what the sales customer usage would be during a peak event. Both the 105 transportation and sales customer's peak hour demands are added together to calculate the 106 total peak day demand.

# 107 Q. What percentage of the peak day demand is attributable to the transportation 108 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.

114 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

DIRECT TESTIMONY OF KELLY B MENDENHALL **QGC EXHIBIT 1.0C** DOCKET NO. 17-057-09 PAGE 6

\$120,166 by 213,201 results in a firm peaking demand charge of \$0.56 per Dth, paidannually.

119 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.
- 125

# V. TARIFF SHEETS

### 126 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.

# 132 Q. When are you proposing the rate become effective?

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

134 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. DIRECT TESTIMONY OF KELLY B MENDENHALL

4. 31.4

**QGC Exhibit 1.0C** Docket No. 17-057-09 Page 7

141	Q.	How will the Company treat the revenues collected from this charge?
142	A.	These revenues will be treated as a reimbursement to sales customers for the use of the firm
143		peaking hourly service that they are paying for in their rates. Any money collected from
144		transportation customers will be credited to sales customers in the 191 account in each pass-
145		through application.
146		VI. RECOMMENDATIONS
147	Q.	Can you summarize your recommendations?
148	А.	Yes. Questar Gas is in need of Firm Peaking Services to manage the peak hour demand
149		fluctuations on its system caused by transportation and sales customers. To more properly
150		match costs to the transportation customers who utilize the services, the Company is
151		requesting that the transportation Firm Peaking demand charge be added to the FT-1, TS and
152		MT rate schedules effective June 1, 2017. In addition the Company is requesting that it be
153		allowed to recalculate the rate as part of each pass-through filing and that the revenues
154		collected from this charge be credited to all sales customers as a credit to the 191 account in
155		pass-through proceedings.
156	Q.	Does this conclude your testimony?

157 A. Yes.

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

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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

day of May, 2017.

319 SUBSCRIBED AND SWORN TO this

