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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 Peak Hour Services	Docket No. 17-057-09
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**PREFILED REBUTTAL TESTIMONY OF NEAL TOWNSEND**

The Utah Association of Energy Users (UAE) hereby submits the Prefiled Rebuttal Testimony of Neal Townsend in this docket.

DATED this 25<sup>th</sup> day of August 2017.

HATCH, JAMES & DODGE



/s/

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Gary A. Dodge  
Attorneys for UAE

Certificate of Service  
Docket No. 17-057-09

I hereby certify that a true and correct copy of the foregoing Prefiled Rebuttal Testimony of Neal Townsend was served by email this 25<sup>th</sup> day of August 2017 on the following:

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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 ) Docket No. 17-057-09  
Charge Transportation Customers for Peak )  
Hour Services )

**Rebuttal Testimony of Neal Townsend**

**On Behalf of**

**Utah Association of Energy Users**

**August 25, 2017**

1 **I. INTRODUCTION AND SUMMARY**

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

3 A. My name is Neal Townsend. My business address is 215 South State Street, Suite  
4 200, Salt Lake City, Utah, 84111.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a  
7 private consulting firm specializing in economic and policy analysis applicable to energy  
8 production, transportation, and consumption.

9 **Q. Are you the same Neal Townsend who provided Direct Testimony, on July 26, 2017,  
10 on behalf of the Utah Association of Energy Users (“UAE”) in this docket?**

11 A. Yes, I am.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. My rebuttal testimony responds to the direct testimony of Division witnesses  
14 Douglas Wheelwright and Howard Lubow regarding the allocation of costs for the new  
15 firm hourly peaking service proposed by Dominion Energy Utah, formerly Questar Gas  
16 Company (“Dominion/QGC” or “Company”).

17 **Q. Please summarize your primary conclusions and recommendations.**

18 A. I agree with the conclusions of Mr. Wheelwright and Mr. Lubow that the contract  
19 Dominion/QGC has entered with Kern River to provide firm peaking services **is not**  
20 necessary or in the public interest. However, I disagree with Mr. Wheelwright and Mr.  
21 Lubow that if the contract is found to be in the public interest, then a portion of those  
22 costs should be borne by transportation customers. Transportation customers are **not** the  
23 cause of Dominion/QGC’s alleged need for this firm peaking service, must make their

24 own upstream arrangements, have not requested this upstream service, and should not be  
25 forced to accept it. Further, if the Commission were to determine that the costs of the  
26 Kern River contract should be allocated to transportation customers, I strongly disagree  
27 with Mr. Wheelwright's proposal to allocate those costs based on an average of  
28 transportation customers' total volumes during winter months that would (apparently)  
29 include interruptible transportation customers. *Interruptible* service conclusively cannot  
30 contribute to a need for a *firm* peaking service.

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32 **II. RESPONSE TO MR. WHEELWRIGHT**

33 **Q. How does Mr. Wheelwright propose that Kern River contract costs should be**  
34 **allocated to transportation customers?**

35 A. Mr. Wheelwright proposes that if the Commission finds that the Kern River peak  
36 hour contract is in the public interest, that its costs should be allocated to transportation  
37 customers using a 3 or 5 year average of total volumes during the winter months, which  
38 by all appearances would include interruptible transportation customers.<sup>1</sup> According to  
39 Mr. Wheelwright, after excluding the Lake Side contract, the remaining transportation  
40 customers represent an average of 20.6% of the total volume during the winter months,  
41 compared to the 13.9% allocation that was identified by Company witness Kelly  
42 Mendenhall using 2016 volume information which excludes interruptible customers.<sup>2</sup>

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<sup>1</sup> DPU Exhibit 1.0 DIR, at 9.

<sup>2</sup> Id.

43 Mr. Wheelwright also states that a better analysis and understanding of the gas usage of  
44 the Lake Side facility is necessary.<sup>3</sup>

45 **Q. Do you agree that transportation customers should be allocated costs for firm  
46 peaking service if it is determined to be in the public interest?**

47 A. No, I do not. As I explained in my direct testimony, even if Dominion/QGC did  
48 have a need for firm peaking service, firm transportation customers are not the cause of  
49 this alleged need. The “problem” Dominion/QGC is trying to solve is the variability in  
50 the hourly demand of its *firm sales customers* and the supposed lack of an upstream  
51 product required to ensure delivery of those hourly spikes in demand. The firm peaking  
52 service that Dominion/QGC is purchasing is an *upstream* transportation product. Firm  
53 transportation customers already have their own arrangements for upstream  
54 transportation service through their commodity suppliers. The firm peaking service  
55 would be acquired solely for Dominion/QGC to provide an upstream service for its firm  
56 sales customers, not the transportation customers. Therefore, the costs of the firm  
57 peaking service should not be allocated to transmission customers.

58 **Q. What is your assessment of Mr. Wheelwright’s proposal to allocate firm peaking  
59 service costs based on the average total volume of transportation customers  
60 (excluding the Lake Side contract)?**

61 A. Mr. Wheelwright’s proposal is seriously flawed. First, as I explained in my direct  
62 testimony and reiterated above, it is wholly inappropriate to be allocating any of these  
63 costs to transportation customers in the first place. Mr. Wheelwright offers no rationale

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<sup>3</sup> Id. at 12.

64 in support of why transportation customers should be subject to this charge if the firm  
65 peaking service contract is approved. Transportation customers have long been subject to  
66 all applicable upstream pipeline deliverability requirements and restrictions (including  
67 any hourly restrictions), and will continue to be subject to such requirements.

68 Second, based on Mr. Wheelwright's evaluation that the remaining transportation  
69 customers represent an average of 20.6% of the total volume during the winter months,  
70 compared to the 13.9% identified by Mr. Mendenhall in 2016, it appears that Mr.  
71 Wheelwright is proposing to include *interruptible* transportation customer volumes to  
72 allocate firm peaking service costs. He does this by assigning cost responsibility based  
73 on *average winter* usage for all transportation service (excluding Lakeside) , not just peak  
74 day usage, even though the sole justification that Dominion/QGC offers for the peak hour  
75 product is to address alleged *intra-peak day* needs. Moreover, to the extent that serving  
76 those intra-peak day needs warrants an upstream peak-hour product, it would be driven  
77 solely by Dominion/QGC's need to acquire upstream capacity for its *firm sales*  
78 customers, not the transportation customers, and certainly not the *interruptible*  
79 transportation customers.

80 According to Mr. Mendenhall, peak day usage includes sales customers' demand  
81 and firm demand for the transportation class.<sup>4</sup> Since firm peaking service would only be  
82 acquired on behalf of Dominion/QGC's firm sales customers, and interruptible  
83 transportation demand does not contribute to peak day usage or any alleged need for firm  
84 peaking service, it would be completely inappropriate to allocate *firm* peaking service

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<sup>4</sup> QGC Exhibit 1.0, at 5.

85 costs based on *interruptible* transportation customer volumes. If, contrary to the  
86 recommendations of the Division and UAE, the Commission finds that the Kern River  
87 peak hour contract is in the public interest, then the Commission should reject Mr.  
88 Wheelwright’s proposal to allocate those costs to firm and interruptible transportation  
89 customers.

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91

## II. RESPONSE TO MR. LUBOW

92 **Q. Please describe Mr. Lubow’s proposal to assign peak hour transmission pipeline**  
93 **costs to firm transportation customers.**

94 A. Mr. Lubow does not believe that either firm sales or firm transportation customers  
95 need or benefit from agreements for peak hour services. However, if the Commission  
96 finds it to be in interest of firm sales customers, Mr. Lubow thinks that “it would also  
97 follow that firm transportation customers are, or may have the ability to be, similarly  
98 benefitted.”<sup>5</sup>

99 **Q. How do you respond to Mr. Lubow’s proposal?**

100 A. Mr. Lubow provides no analysis demonstrating that “it would also follow” that  
101 transportation customer would benefit from or should pay for this service. Perhaps that is  
102 because he sees no value in it for any customers. In any event, as I describe above, and in  
103 my direct testimony, transportation customers are not part of the cause of  
104 Dominion/QGC’s alleged need for firm peaking service and therefore should be allocated  
105 costs for this proposed new service. Mr. Lubow’s statement that transportation customers

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<sup>5</sup> DPU Exhibit 2.0 DIR, at 10.



106            *may* be benefitted similarly to firm sales customers is unconvincing. He provides no  
107            evidence that would suggest that transportation customers cause a need for, or would  
108            benefit from, this upstream service, or otherwise why they should be allocated costs for  
109            the proposed firm peaking service. In conjecturing that transportation customers may be  
110            benefited Mr. Lubow ignores that fact that the firm peaking service that Dominion/QGC  
111            is purchasing is an *upstream* transportation product and firm transportation customers  
112            must make their own arrangements for upstream transportation service.

113    **Q.        Does this conclude your rebuttal testimony?**

114    A.            Yes, it does.