Witness OCS – 1S

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 SERVICE	)))))	DOCKET NO. 17-057-09

SURREBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

FOR THE OFFICE OF CONSUMER SERVICES

SEPTEMBER 19, 2017

EXETER
ASSOCIATES, INC.
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SURREBUTTAL TESTIMONY OF JEROME D. MIERZWA

I. INTRODUCTION

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jerome D. Mierzwa. I am a Principal and Vice President with Exeter Associates, Inc ("Exeter"). My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-related consulting services.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes. My Rebuttal Testimony was submitted as OCS-1R on August 25, 2017.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony filed by Utah Association of Energy Users ("UAE") witness Neal Townsend; and the Rebuttal Testimonies filed by Dominion Energy Utah ("Dominion/QGC" or the "Company") witnesses Michael L. Platt, David C. Landward, and Kelly B. Mendenhall.

II. UTAH ASSOCIATION OF ENERGY USERS

Witness: Neal Townsend

Q. MR. TOWNSEND CLAIMS THAT IF DOMINION/QGC'S PEAK HOUR CONTRACT WITH KERN RIVER IS FOUND TO BE IN THE PUBLIC INTEREST, NO PORTION OF THE COSTS ASSOCIATED WITH THE CONTRACT SHOULD BE BORNE BY TRANSPORTATION CUSTOMERS. WHAT IS THE BASIS FOR MR. TOWNSEND'S POSITION?

A. Mr. Townsend claims that transportation customers are not the cause of Dominion/QGC's need for a peak hour service, must make their own transportation arrangements with interstate pipelines for the delivery of gas, have not requested a peak hour service, and should not be forced to accept it.

Q. WHAT IS YOUR RESPONSE?

Mr. Townsend's claim is without merit and completely ignores the fact that the hourly demands of firm transportation customers fluctuate over a day, including design peak days, rather than remain constant throughout the day. It is Dominion/QGC that must accommodate these hourly fluctuations in demand. If it is necessary for Dominion/QGC to incur costs to accommodate these fluctuations, firm transportation customers should be responsible for their share of those costs.

Q. WHAT ELSE DOES MR. TOWNSEND'S REBUTTAL CONTEND WITH RESPECT TO TRANSPORTATION CUSTOMERS BEING ALLOCATED COSTS FOR PEAK HOUR SERVICE IF THE SERVICE IS DETERMINED TO BE IN THE PUBLIC INTEREST?

A. Mr. Townsend contends that the hourly peaking service would be acquired solely to meet the hourly fluctuation in demands of Dominion/QGC's sales customers, not its transportation customers. He claims firm transportation customers have their own service arrangements with interstate pipelines. Therefore, he recommends that the costs associated with the hourly peaking service should not be allocated to transportation customers.

Q. WHAT IS YOUR RESPONSE TO MR. TOWNSEND'S CONTENTION?

A. Again, Mr. Townsend ignores the fact that the hourly demands of firm transportation customers fluctuate over a day, including design peak days, rather than remain constant throughout the day. Firm transportation customers and their suppliers do not adjust

their deliveries to match these demand fluctuations and, therefore, it is Dominion/QGC that must accommodate these hourly fluctuations in demand. If it is necessary for Dominion/QGC to incur costs to accommodate these fluctuations, firm transportation customers should be responsible for their share of those costs.

III. DOMINION ENERGY UTAH

Witness: David C. Landward

Q. WHAT ARE THE DESIGN PEAK DAY CRITERIA THAT DOMINION/QGC USES FOR CAPACITY PLANNING PURPOSES?

A. As explained by Mr. Landward, the design peak day that Dominion/QGC uses for capacity planning purposes is a non-holiday/weekend day with 70 heating degree days ("HDDs"), a maximum wind speed of 47 mph, and an average wind speed of 26 mph. A day with 70 HDDs last occurred in 1963, and the wind speed criteria used by the Company for its design peak day reflect the highest daily values observed on any day since 2004.

Q. IS THE DESIGN PEAK DAY THAT DOMINION/QGC USES FOR CAPACITY PLANNING PURPOSES REASONABLE?

A. No. In the response to OCS 5.04(OCS Exhibit-1.3Sa-b), Dominion/QGC provided HDDs, maximum wind speed, and average wind speed data for each winter day (November through March) for the period January 2004 through February 2017 — a total of 2,025 observations. To evaluate these data, I calculated the correlation coefficients for HDDs and maximum daily wind speed and also for HDDs and average daily wind speed. In both cases, the correlation coefficient was negative, which suggests that higher levels of HDDs are associated with lower daily maximum wind speeds and lower average daily wind speeds.

An additional analysis was conducted in which I ranked the 100 days with the highest HDDs and examined the maximum and average daily wind speeds associated with those HDDs. For this 100-day sample, the highest value for the maximum wind speed was 25 mph and the highest value for average wind speed was 9.5 mph. This also suggests that the coldest days, as measured by HDDs, are not the days that are anticipated to have the highest maximum daily wind speeds or highest average daily wind speeds. Based on my analyses, I conclude that the Company's design day criteria that include both a maximum HDD level plus the highest maximum wind speed and highest average daily wind speed entails reliance on an extreme set of circumstances that statistically, does not have a reasonable likelihood of occurrence.

Q. WHAT ARE THE IMPLICATIONS OF DOMINION/QGC USING A DESIGN PEAK DAY THAT IS UNREASONABLE?

A. If Dominion/QGC were to use a design day with a probability of occurrence that was too extreme (i.e. unlikely to ever occur), it would mean that its design day forecast would be unreasonably high and, as a result, its need for peak hour service would be overstated. This is because the Company determines its need for peak hour service based on the assumption that peak hour demand will exceed average hourly demand by 17 percent on a design day.

Witness: Michael L. Platt

Q. MR. PLATT CLAIMS THAT BASED ON THE COMPANY'S DESIGN PEAK DAY FORECAST FOR THE 2017-2018 HEATING SEASON, DOMINION/QGC REQUIRES 340,375 DTH/DAY OF PEAK HOUR SERVICE. WHAT IS YOUR RESPONSE?

A. Dominion/QGC has acquired 100,000 Dth/day of peak hour service from Kern River, and as explained by Dominion/QGC witness William F. Schwarzenbach III, anticipates

acquiring an additional 250,000 Dth/day of peak hour service from DEQP. I believe that Mr. Platt's Rebuttal Testimony may indicate the need for the 100,000 Dth/day of peak hour service from Kern River. However, Dominion/QGC has not justified and may not require an additional 250,000 Dth/day of peak hour service for several reasons.

First, as previously explained, Dominion/QGC's design peak day criteria may be too extreme and unsupportable. In addition, as explained by Dominion/QGC witness Mr. Mendenhall, the Company is proposing tariff language under which certain firm transportation customers may opt to be flow-controlled and exempt from the charge for peak hour service. Dominion/QGC's need for peak hour service will be reduced to the extent firm transportation customers opt to be flow-controlled. Finally, as indicated in the response to OCS 4.04(OCS Exhibit-1.2S), the Company has the ability to use approximately 180,000 Dth/day of line pack to partially address its peak hour service needs. In the response to OCS 4.03(OCS Exhibit-1.1S), the Company claims that without the ability to use line pack, its peak hour service requirement would be closer to 450,000 Dth/day. With the use of line pack (180,000 Dth/day), the Kern River peak hour service (100,000 Dth/day), and the acquisition of DEQP peak hour service (250,000 Dth/day), the Company will have resources of 530,000 Dth/day to meet peak hour demands. This exceeds the claimed requirement of 450,000 Dth/day. It is not clear that the use of line pack has been fully considered by the Company in determining its need for peak hour services. The total resource need for peak hour is further brought into question when considering the effects of utilizing unreasonable design day criteria, and the resource potential from additional flow-control measures.

Witness: Kelly B. Mendenhall

Q. THE FIRST ISSUE ADDRESSED IN MR. MENDENHALL'S REBUTTAL TESTIMONY IS THE COMPANY'S INTERCHANGEABLE USE OF THE

TERMS "DESIGN PEAK DAY," "DESIGN DAY," AND "PEAK DAY." DO YOU HAVE ANY COMMENTS?

A. Yes. These terms are not all typically used interchangeably in the natural gas industry and the interchangeable use of these terms may lead to confusion. "Design peak day" and "design day" are typically used interchangeably and refer to the extreme weather conditions that may occur which the Company uses for capacity planning purposes. "Peak day" would generally refer to the day with the highest demands (sendout) during a period, typically an annual or winter period. Thus, while a gas utility such as Dominion/QGC would experience a peak day every year, it would experience a design day much less frequently (e.g., 1 in 10, 1 in 20, or 1 in 30 years). In my rebuttal and surrebuttal testimonies, my use of these terms is consistent with the definitions just provided.

Q. MR. MENDENHALL IS PROPOSING TARIFF LANGUAGE UNDER WHICH A FIRM TRANSPORTATION CUSTOMER WITH A CONTRACT GREATER THAN 3,500 DTH/DAY MAY OPT TO BE FLOW-CONTROLLED AND BE EXEMPT FROM PAYING THE PROPOSED CHARGE FOR PEAK HOUR SERVICE. DO YOU AGREE WITH THIS PROPOSAL?

A. Yes, provided that Dominion/QGC has not already acquired peak hour capacity to serve the transportation customer that opts for flow control. In the event that Dominion/QGC has already acquired peak hour capacity to serve the customer, the customer should not be exempt from the proposed charge until the Company can adjust (reduce) its peak hour capacity to account for the reduced need for peak hour service.

Q. MR. MENDENHALL CONCLUDES HIS REBUTTAL TESTIMONY BY RECOMMENDING THAT THE COMMISSION APPROVE THE

COMPANY'S METHODOLOGY FOR ALLOCATING A PORTION OF PEAK HOUR SERVICE COSTS TO TRANSPORTATION CUSTOMERS. WHAT IS YOUR RESPONSE?

A. In this proceeding, the Company has proposed a methodology to allocate to transportation customers a portion of the 100,000 Dth/day of peak hour service recently acquired from Kern River, and is seeking Commission approval of that methodology. As previously explained in my Surrebuttal Testimony, I believe that the evidence presented by the Company in its rebuttal case is sufficient to justify the acquisition of 100,000 Dth/day of Kern River peak hour service. If the Commission finds that the acquisition of the Kern River peak hour service is in the public interest, I believe that the Company's proposed allocation methodology for the costs associated with that service is reasonable and should be approved. However, as I also explained previously in my Surrebuttal Testimony, I do not believe that Dominion/QGC has justified the need to acquire an additional 250,000 Dth/day of peak hour service from Dominion Energy Questar Pipeline ("DEQP").

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.