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** **DPU Exhibit 1.0 SR** **Surrebuttal Testimony** **Douglas D. Wheelwright**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Surrebuttal Testimony of

Douglas D. Wheelwright

September 19, 2017

Q: Please state your name, business address and title.

A: My name is Douglas D. Wheelwright; my business address is 160 East 300 South, Salt Lake City, Utah 84114. I am a Technical Consultant with the Division of Public Utilities (Division).

Q: On whose behalf are you testifying?

A: The Division of Public Utilities.

Q: Have you previously filed testimony in this case?

A: Yes. I filed direct testimony on July 26, 2017.

Q: What is the purpose of your testimony in this matter?

A: I will provide comments related to the rebuttal testimony of Dominion (Company) representatives Michael L. Platt, David C. Landward, William F. Schwarzenbach III, and Kelly B. Mendenhall. I will also respond to the rebuttal testimony of Neal Townsend on behalf of the Utah Association of Energy Users. The fact that I do not address every specific detail or issue should not be construed as acceptance.

Q: The original direct testimony in this case included only the testimony of Mr. Kelly Mendenhall. Are you concerned with the amount of information that has been filed by the Company as rebuttal testimony?

A: Yes. In the rebuttal phase of this Docket, the Company has filed testimony and exhibits from four witnesses. The information filed as rebuttal testimony is much more extensive and more detailed than the original filing. Rebuttal testimony includes information from previous IRP dockets, regulator station pressure assumptions and hourly flow rate information. This level of detail was not included in the original filing, nor was it provided in response to Division data requests asking for such information.

It is the Division's position that this level of detail should have been included with the original filing and is not appropriate for rebuttal testimony. The Company's rebuttal testimony was filed on August 25, 2017 with surrebuttal testimony due on September 19, 2017. This schedule allows only 15 working days to review the assumptions used in the

Company models, prepare and receive answers to additional discovery items and prepare surrebuttal testimony. Providing this additional information in rebuttal does not allow sufficient time for discovery or verification of the additional information.

Q: Has the Division's position or recommendation changed after a review of the Company's rebuttal testimony?

A: No. The Division is still not convinced the peak hour contracts are necessary and in the public interest. Therefore, based upon the information that has been provided, the Division cannot recommend that transportation customers pay a portion of the costs associated with the Kern River contract. However, if the Commission finds that the contracts are in the public interest, transportation customers should pay a share of the cost. The allocation of the cost should be determined based on how the peak hour contract is to be used.

Q: Can you explain what you mean by allocating the cost depending on how the contract is used?

A: Yes. Most of the testimony in this case has been focused on the need for peak hour service and how it will be needed and used during extreme weather conditions on a design peak planning day. The rebuttal testimony of Mr. Platt identifies insufficient system pressure at gate stations during extreme weather conditions using a peak day planning model.[1] Mr. Mendenhall refers to the previous IRP filings to show that the Company will need the peak hour service during peak day forecasts.[2] Mr. Landward provides testimony detailing the extreme weather assumptions used to project the peak system planning needs[3] and finally Mr. Schwarzenbach identifies the need for peak hour service during high demand periods when pipelines are fully utilized.[4] These statements seem to indicate that if this service is needed it would be used in extreme conditions.

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[1] Rebuttal Testimony of Michael L. Platt, page 5, line 5.
[2] Rebuttal Testimony of Kelly B. Mendenhall, DEU Exhibit 1.1R.
[3] Rebuttal Testimony of David C. Landward, page 8, line 145.
[4] Rebuttal Testimony of William F Schwarzenbach III, page 5, line 112.

In contrast with the previous statements, at line 275 of Mr. Schwarzenbach's rebuttal testimony, he states that the Kern River peaking service contract was used during the 2016 – 2017 heading season to adjust supply to "better match the demand on the system with flows from Kern River."[5]

If the peaking contracts are used only in extreme weather conditions then the cost should be allocated based on who will be using the service during extreme conditions. This would exclude the interruptible customers as recommended by the Company and supported by Mr. Townsend. If however, the contract is used on a regular basis for normal operational needs during the heating season, then all customers should be allocated a portion of the costs commensurate with the benefits, including interruptible customers and electric generation facilities. Since it appears that the need has been justified based on peak day planning but the contract is used on a regular operating basis, the Division still supports a cost allocation based on average historical usage as identified in my direct testimony if any cost recovery is ordered.

Q: Has the Company indicated how many times it used the Kern River peaking contract was used during the last heating season?

A: Yes. In response to DPU Data request 3.01, the Company indicated that it used this service 6 days in December 2016, 21 days in January 2017, and 3 days in February 2017 for a total of 30 days. It is doubtful that all of these days were peak weather event days, which indicates that this contract is being used under normal operating conditions.

Q: Do you agree with Mr. Mendenhall that the Division has not expressed concerns about any perceived shortfalls with the Peak Hour contracts in the past, and that in this docket the Division is raising these concerns for the first time?

A: No. The Division has expressed concerns with the peak hour contracts on several occasions and has met with Company representatives on numerous occasions to discuss the peak hour issue. The cost of the Kern River contract was included for the first time in the most recent

[5] Rebuttal testimony of William F. Schwarzenbach III,

191 Pass-Through filing.[6] The Division's memo to the Commission dated May 23, 2017 included the following statement:

> The concept of a peak hour and the associated contract is new and the Division has been meeting regularly with the Company to better understand why this contract is needed and how the peak hour contract will work. The $0.874 million cost for the peak hour contract has been included in this filing and additional information will be presented to the Commission concerning the peak hour issue under Docket No. 17-057-09. Approval of this new contract cost on an interim basis will allow additional time for the Division to complete further investigation into the peak hour issue. [7]

The Division agrees that the Company has included peak hour information in previous IRP filings but that should not limit discussion and further investigation of this issue. Commission acknowledgement of the Company's IRP may not be considered as approval for any identified cost.

The Division position is elementary ratemaking procedure and should not be new to the Company. The following language has been included in previous Division reports and was identified as one of the Standards and Guidelines for the IRP in 1991 when the Company was operating as Mountain Fuel Supply.

> Acknowledgement of the Plan means the PSC deems the planning process and the Plan itself reasonable at the time the Plan is presented. "Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions."[8]

The IRP process is a one party presentation, not a proceeding upon which the Commission issues an order based on the evidence. There is no filed testimony, or the opportunity to cross examine witnesses and as such cannot be deemed any more than illustrative. In the absence of a pre-approval filing, the prudence of costs is generally evaluated when they are placed in rates, not in a prospective planning case.

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[6] Docket No. 17-057-07, Exhibit 1.3, page 1.
[7] Docket No. 17-057-07, page 8
[8] Final Standards and Guidelines for Integrated Resource Planning for Mountain Fuel Supply Docket No. 91-057-09.

Q: Mr. Mendenhall and Mr. Schwarzenbach have referred to changes in the nominating cycles in recent years and the need other Companies have identified for peak hour services. Are you persuaded by the reference materials that have been identified by the Company?

A: No. The Company has demonstrated that there is a peak in the demand at different times of the day and the Division does not disagree. Customer usage has been and will continue to be fluctuate at different times of the day. The Company has not provided sufficient information to show the reason for the increase in hourly demand.

Much of the reference information provided by the Company refers to the increase in hourly demand due to the increase in gas usage for power generation. The Environmental Defense Fund (EDF) reference states that "Peak Hour services will be beneficial to power generators"[9] and "Portland maintains that it has made clear to Generators, in written correspondence and otherwise, that this flexibility was provided by Portland as a "courtesy" with the expectation that Generators would endeavor to adhere to the tariff's uniform take provisions."[10] As noted in my direct testimony, the change in the nomination cycles approved by FERC in 2015 was intended to "better coordinate the scheduling of wholesale natural gas and electricity markets in light of increased reliance on natural gas for electric generation."

The Division has demonstrated and the Company has now acknowledged that the Lake Side electric generation facility contributes to the peak hour usage.[11] In addition to the Lake Side plant, Mr. Mendenhall stated that excluding Lake Side, electric generation customers have a variable load profile during the day.[12] In response to data request 3.8, the Company has identified 19 additional electric generation facilities taking service from Dominion and the most recent IRP dated June 14, 2017 includes the following statement:

[9] Rebuttal Testimony of William F. Schwarzenbach, page 13, line 297.
[10] Rebuttal Testimony of William F. Schwarzenbach, page 13, line 306.
[11] Rebuttal Testimony of William F. Schwarzenbach, page 16, line 370.
[12] Rebuttal Testimony of Kelly B. Mendenhall, page 11, line 259.

> Annual demand among electric generation customer increased over the prior year by 25% in 2016. Much of the total demand is used for peaking load generation and can vary considerably over time making accurate forecasting difficult.[13]

No analysis has been completed to determine if the other generating facilities have a similar usage pattern to the Lake Side facility and could also be contributing to the recent increase in peak hour usage on the Company's system.

Q: Mr. Mendenhall and Mr. Platt testified that the Lake Side plant should not be included in the peak day analysis because the Lake Side facility is subject to flow control. Do you agree that it should be excluded?

A: No. It is the Division's understanding that the IRP model that was used to calculate the need for peak hour service assumes that on a peak day, the Lake Side plant will [redacted] As demonstrated in Chart 3 of my direct testimony, the actual usage of this facility does not follow that usage pattern or volume used to calculate the system peak requirement in the IRP. In rebuttal, Mr. Mendenhall and Mr. Platt state that Lake Side is not a problem since there is a flow control valve and the Company's Gas Control operations can limit the amount of gas to the reserved daily contract amount. If the peak winter day usage is in line with the historical usage, the daily nomination and limit amount for Lake Side would likely to be [redacted] Understanding and including this large use customer is an important part of this discussion. It should also be noted that the Company has never implemented this restriction and has never used the flow control valve for the Lake Side facility.[14]

Q: Does the Company agree that flow control for additional customers could provide benefits to the system?

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[13] Docket No. 17-057-12, 2017 IRP, page 3-4.
[14] Response to DPU Data Request 3.05 e.

A: Yes, however the Company has provided conflicting information. Mr. Mendenhall proposed alternative tariff language for those large customers that would agree to flow controls. This is the first time flow controls have been mentioned by the Company as a possible solution to address the peak hour issue and the Division would welcome further discussion and analysis. The Company identified 12 large use customers that have a daily contract limit of at least 3,500 Dth per day. The Division has not verified if 3,500 is the appropriate limit but would like to review the identified customer's usage profile in light of the proposed limit. Mr. Platt states that if customers were to agree to be flow controlled, it would help Gas Control to manage the peak hour usage. The option for flow control was not included as a possible solution for the peak hour concerns in the Company's IRP presentations or in previous direct testimony and no cost estimate has been presented. Without additional information on flow controls, it is difficult to determine if the proposed Peak Hour contracts are the most cost-effective solution, assuming the matter needs addressed.

While the Company has stated that flow controls would help manage the peak hour issue, it has also provided conflicting statements indicating that the large customers do not have an impact on the peak hour. The Company provided the following answer in response to a question relating to the proposed flow controls:

> DPU 3.06 Line 190 of Mr. Mendenhall's rebuttal testimony states that flow controls on 12 large customers would provide the most system benefit for managing the peak day issue. If Lake Side and the additional 12 customers were limited to the contract limit by flow control, please calculate the amount of peak hour service that would be required for the design day.
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> Answer: As discussed in prior testimony, Lake Side has no impact on the amount of Peak-Hour Service needed. The Peak-Hour Service that would be required with these other 12 customers flow controlled would still be approximately 340,000 Dth/day. A review of the design day model reveals that while the majority of transportation customers contribute to increased peak hour demand, these 12 customers do not have a substantial impact on the peak hour. The peak day would be more manageable because Gas Control would be able to hold these customers to their daily or contractual limits

> during the peak hour. In recent history, during curtailments, some of these customers have continued to flow well above their daily limits.

It is unclear to the Division why the Company would offer to use flow controls if these customers do not have an impact on the peak hour. Flow control was not presented as a possible solution to the peak hour issue until rebuttal testimony was filed. At this point it is unclear how many customers would agree to flow controls or the impact that flow controls could have on the identified customers.

Q: Mr. Townsend called your analysis "seriously flawed" and was critical of your cost allocation method outlined in your direct testimony. Do you still believe that the volumes from interruptible customers should be included in the cost allocation percentage, and do you still support the allocation of the cost based on historical winter usage?

A: If the Commission orders cost recovery for the Company of these two contracts, then it will depend on how the Kern River and the Dominion Energy Questar Pipeline Peak Hour contracts are used. As stated above, the Company uses the peak day planning model to support the need for peak hour service. The Company has also stated that the Kern River peak hour service was used regularly during the 2016 – 2017 heating season.[15] If the Peak Hour contract is being used on a regular basis, the volumes of interruptible customers should be included since they will be receiving the benefit of the service along with the other transportation customers. In addition, during the January 6, 2017 curtailment event, approximately [redacted] of the interruptible customers were either unable or unwilling to curtail their usage to the firm demand or delivered volumes. The interruptible customers that did not curtail their usage continued to receive the benefit of gas service from Dominion and should contribute to cover the contract costs.

The Company has proposed the peak hour service using the contract to satisfy both the peak hour planning requirement as well as a daily operational resource. If the Commission determines that the Peak Hour service is in the public interest, the Company should clarify

[15] Rebuttal testimony of William F. Schwarzenbach III, page 12, line 275.

how the Kern River and the proposed Dominion Energy Questar Pipeline contracts will be used in order to allocate the appropriate cost to the customers that will be using the service.

Q: Mr. Townsend states that transportation customers are subject to the upstream pipeline deliverability requirements and should not be subject to the peak hour contract. Do you agree with this statement?

A: No. Transportation customers nominate the gas to the system but as has been shown do not consume the gas evenly throughout the day.[16] Pipelines will deliver the nominated gas to the Dominion distribution system relatively evenly through the day. During the higher demand periods, transportation customers will be burning more than the nominated amounts, which means that some of the excess gas consumption comes from Dominion Energy supplies.

Q: Assuming the Company is granted cost recovery, if the Commission finds that Interruptible customers should be excluded from the calculation, do the remaining firm transportation customers still represent the 17% swing as identified in the Company's direct testimony?

A: No. Mr. Mendenhall's exhibit 1.10R recalculates the impact of transportation customers on the peak hour excluding Lake Side and the interruptible customers. While it is not shown on the chart, the peak of the chart calculates to be a 7% difference between the average daily usage and the average hourly usage. The impact from the firm transportation customers on the peak hour appears to be lower than the system wide 17% amount calculated for all customers. This same information has been included in Surrebuttal Testimony from the Office of Consumer Service as OCS Exhibit 1.2R.

Q: Mr. Platt states that many transportation and firm sales customers in numerous cities will lose service on a design day without peak hour service. Has the Company provided any additional information to support the statement?

A: Mr. Platt included exhibit 3.5R which is a 9 page PowerPoint presentation that shows what could happen when peak hour demands are not met by the supply. It is the Division's

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[16] Rebuttal Testimony of Jerome D. Mierzwa, OCS Exhibit 1.2R.

understanding that this model assumes that both Kern River and Questar Pipeline are held to the daily contract limit. This new information has been included in the rebuttal phase of this Docket and the Division has not had sufficient time to review or validate the underlying assumptions used to calculate the estimated drop in system pressures. Also, given the late filing of this information, the Division has not had sufficient time to engage the services of an engineer to validate this information.

Q: Mr. Platt states that if the Commission does not approve the recommended Peak Hour services that Dominion Energy will not have the resources to serve its customers on a firm basis and meet a design peak day. Has the Company indicated in the past that this service was crucial to meet the forecast peak-day requirement?

A: In the most recent IRP under System Capacity Conclusions the Company makes the following statement:

> The Company's HP system is capable of meeting the current peak-day demands. The Company bases this assessment on GNA modeling that indicates that gate station and feeder line systems have adequate capacity to meet average daily (on a peak day) and peak hourly demands and the supply contracts are adequate. All system models show that pressures should not drop below the design minimum of 125 psig.[17]

The current IRP forecast assumes that both the Kern River and the Questar Pipeline contracts are in place to meet the forecast peak hour demand.

Mr. Platt's DEU Exhibit 3.4R identifies the system pressures for multiple locations with and without these contracts. Column D of Exhibit 3.4R indicates that without both contracts, only 9 of the 49 locations will have sufficient pressure to meet the peak day demand. Previous information provided in IRP presentations have identified the perceived need for peak-hour services but have not indicated a nearly complete system failure on a peak day if these contracts are not in place. The Kern River contract was first implemented for the 2016 - 2017 heating season and the Questar Pipeline contract will be in place for the first time in the 2017 – 2018 heating season. It is unclear to the Division why the integrity of the entire

[17] Dominion Energy IRP, Docket No 17-057-12, page 4-14.

system is now critical without these two contracts and why this condition has only recently been identified.

Q: Has the Company provided information to demonstrate how the Kern River peak hour contract and the Dominion Energy Questar Pipeline contract will work to increase the pressure to the system?

A: While not included in the testimony, the mechanics of both contracts have been discussed at length with Company representatives. The concepts behind the Kern River contract are more straightforward and are easier to understand. In contrast, the Dominion Energy Questar Pipeline contract is very confusing and utilizes capacity on Overthrust Pipeline and storage withdrawals to increase line pack. Storage withdrawals by the Company or by Pipeline would utilize the same resources and the concepts behind this contract are confusing and are not easily understood.

Q: Mr. Schwarzenbach states that other utilities meet peak hour need by using on-system storage. Has the Company presented information to identify how many other utilities have this type of storage?

A: No. Mr. Schwarzenbach indicates that "many utilities" use on system storage but there has been no specific information presented to indicate how many or the type of storage facilities that are used, nor the availability and use of line-pack.

Q: Has the Company addressed how the existing No-Notice Service and the new Peak Hour Contracts will work together?

A: No. It appears to the Division that these two services are satisfying the same need. The IRP describes the No-Notice Contract as providing:

> enhanced service to supplement its firm transportation service. Specifically, NNT service allows the Company's level of supply to adjust in real time, subject to certain constraints as described herein, to **accommodate the increase or decrease in demand throughout the Gas Day**. NNT adjustments that cause the flow to exceed the T-1 RDC on an hourly basis are only offered subject to pipeline operational capacity availability.[18]

[18] Docket No. 17-057-12, page 7-2.

NNT service may be interruptible when it is above the RDC. Customers of DEU already pay for the daily use of NNT service and it is unclear if both the Peak Hour and the NNT service are needed or if the amount of NNT service should be reevaluated.

Q: Mr. Schwarzenbach stated that "in 2015, during the Joint Operations Agreement planning process DEQP notified Dominion Energy that Dominion Energy's peak day demand would exceed the RDC. In fact, DEQP would not have capacity operationally available to meet the customer demands during a peak hour on a design peak day." What is your comment?

A: The acronym RDC stands for Reserved Daily Capacity. In other words, it is the amount of capacity that the LDC reserves on a section of the pipe for a particular day on a firm basis. In over twenty hours spent discussing this issue with the Company, the Division has not seen any documentation of the "notification" Mr. Schwarzenbach references.

Q: Mr. Schwarzenbach cites DEQP's tariff when he disagrees with your point that the root of the "problem" is DEQP. What is your comment?

A: The citation simply states that it is the Shipper's responsibility to provide roughly the same quantity to the system that it takes off the system. The contract with DEQP is purported to solve the "problem" by increasing pipeline pressure at the city gate. So, the DEQP "solution of higher pressure" would negate the current "problem" caused by DEQP lower pressure at the city gates.

Q: Did the Company request increased pressure from DEQP?

A: The Company has not presented any documentation demonstrating that it did.

Q: Can you summarize the Division's recommendation in this case?

A: The initial application in this Docket included very limited information and asked for Commission approval to allocate a portion of the cost for the Kern River Peak Hour contract to transportation customers. In addition to the Kern River contract, the Company has entered into a second and more costly Peak Hour contract with its affiliate Dominion Energy Questar Pipeline for similar services. Both contracts are assumed to be in place in order to meet the peak hour of the design day requirement.

The Division's consultant, Mr. Lubow, has testified that in his opinion, the peak hour contracts are not necessary and that there may be other options available to secure additional firm capacity, if needed. Based on the information that has been presented, the Division cannot recommend that transportation customers pay a portion of the costs associated with the Kern River contract or the additional DEQP contract because the contracts do not appear prudent. However, if the Commission finds that the contracts are in the public interest, transportation customers should pay a portion of the associated cost based on how these contracts have been and are to be used. The Division would recommend that a more complete study of all transportation contracts be included as part of future filings in which the Company seeks recovery of the contracts' costs.[19]

Q: Does this conclude your testimony?

A: Yes.

[19] The Division is currently auditing the 191 account filing containing a portion of the contracts' costs and will make recommendations in that filing when the audit report is filed. Additionally, future filings and cases may involve these contracts' costs and should evaluate them.