

**Before Public Service Commission of Utah**

**Docket No. 17-057-09**

**IN THE MATTER OF THE  
APPLICATION OF QUESTAR GAS COMPANY TO MAKE TARIFF  
MODIFICATIONS TO CHARGE TRANSPORTATION CUSTOMERS FOR  
PEAK HOUR SERVICES**

**Prepared Surrebuttal Testimony of**

**Howard E. Lubow**

**On Behalf of the Utah Division of Public Utilities**

**September 19, 2017**

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1 **Introduction and Summary Conclusions**

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

3 A. My name is Howard E. Lubow. My business address is Overland Consulting, 11551 Ash Street,  
4 Suite 215, Leawood, Kansas 66211.

5  
6 **Q. Are you the same Howard E. Lubow that filed direct testimony in this proceeding on July 26,  
7 2017?**

8 A. Yes.

9  
10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. Questar Gas Company (“QGC” or “the Company”) filed rebuttal testimony on August 25, 2017.  
12 To the extent that this testimony and accompanying exhibits are relevant to the testimony I filed  
13 on July 26, 2017, I will address issues I have with this material.

14  
15 **Q. What material did you rely upon as the basis for your review and analysis?**

16 A. Aside from the materials I relied upon in the preparation of my direct testimony, I have also  
17 reviewed additional responses to discovery provided by QGC since that time.

18  
19 **Q. Have you had an opportunity to review the rebuttal testimony of Kelly B. Mendenhall,  
20 David C. Landward, Michael L. Platt, and William F. Schwarzenbach III?**

21 A. Yes, I have.

22  
23 **Q. Would you characterize the material filed in this rebuttal evidence?**

24 A. Yes. Generally speaking, this material contains a much greater level of detail than in the only  
25 Company witness testimony filed in the direct case, which was filed by Mr. Mendenhall. While  
26 this information is described as rebuttal to Division of Public Utilities (“DPU”) and intervenor  
27 testimony, it is largely foundational in support of its Application.

28

29

30 **Q. Has your review of the QGC rebuttal evidence caused you to reconsider the findings and**  
31 **conclusions contained in your direct testimony?**

32 A. No. If anything, a review of this material only further supports my conclusion that resource  
33 planning based on a peak hour is improper, unfounded, unneeded, and if approved, will only  
34 lead to unreasonable and unnecessary costs being borne by QGC customers. Specifically, the  
35 agreements for peak-hour services from Kern River and Questar Pipeline are unneeded in the  
36 provision of safe, adequate and reliable service at this time. The balance of my comments will  
37 address the QGC rebuttal witness testimony more directly, which form the basis of these  
38 conclusions.

39

40 **Rebuttal Testimony of Kelly B. Mendenhall**

41 **Q. At page 6, lines 125 to 126, Mr. Mendenhall states, “Though the concept is relatively new to**  
42 **both the industry and Dominion Energy, the industry is beginning to focus on hourly**  
43 **planning.” Do you agree with this statement?**

44 A. No. This proceeding is focused on the provision of peak services for retail firm gas distribution  
45 customers. In this context, I believe that this statement is inaccurate and misleading.

46

47 **Q. Didn’t you specifically ask about the status of industry publications as it relates to peak hour**  
48 **planning?**

49 A. Yes. I referenced this request, as well as the statement that the Company had no such studies.<sup>1</sup>  
50 For additional clarity in the record, I have attached the response to DPU 2.06 as Exhibit 2.1 SR.  
51 This response was dated July 17, 2017. It now seems clear that any industry publications on this  
52 subject did not and could not have influenced the basis of the QGC Application, or any internal  
53 planning leading up to this Application.

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<sup>1</sup> Direct Testimony of Howard E. Lubow at page 6, lines 150-155.

56 **Q. Mr. Mendenhall and Mr. Schwarzenbach both reference FERC Order 809 as evidence of a**  
57 **focus on hourly planning. Is this a legitimate and relevant reference as it relates to these**  
58 **proceedings?**

59 A. No. FERC Order 809 addresses scheduling practices for wholesale natural gas and electric  
60 generation. It is my understanding that this proceeding evolved primarily to address  
61 coordination issues in the ISO-NE and PJM market areas. This Order does not address, nor does  
62 it mention, peak hour planning for gas pipeline or natural gas LDCs. There is no reference to  
63 “hourly needs” of customers.

64  
65 **Q. Mr. Mendenhall points out that the Company must plan for both expected weather and for**  
66 **extreme weather events.<sup>2</sup> Do you disagree with that statement?**

67 A. No.

68  
69 **Q. When did the Company last experience a design day weather event?**

70 A. It occurred in 1963; over 50 years ago.<sup>3</sup> A design peak day, as defined by the Company, is  
71 assumed to be a once in 20 year event.<sup>4</sup>

72  
73 **Rebuttal Testimony of Michael L. Platt**

74  
75 **Q. At page 1, lines 18 to 23, Mr. Platt states that you omitted a portion of a discovery response,**  
76 **and infers that you have mischaracterized the response. Do you agree?**

77 A. I do not. It is obvious from the response that the QGC system, as is equally true for all gas  
78 distribution systems in the US, is designed to meet a design peak day. Just to make the record  
79 absolutely clear, I have attached discovery response DPU 1.11 as Exhibit 2.2 SR. The reference  
80 to a peak hour within a peak day does not alter the primary point; that the system is designed to  
81 meet the design peak day. Using Mr. Platt’s logic, we could further observe that the design peak

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<sup>2</sup> Rebuttal Testimony of Kelly B. Mendenhall, at page 8, line 168.

<sup>3</sup> Kelly Mendenhall email dated June 27, 2017, re 2017 IRP Technical Conference.

<sup>4</sup> Interviews conducted with QGC representatives, June 26, 2017.

82 day also includes a peak minute. This, however, does not alter the fact that, as stated in the  
83 QGC response, “The system is designed to meet the design peak day...”  
84

85 **Q. Mr. Platt refers to your conclusion that Peak-Hour Services are not necessary at this time, and**  
86 **challenges this conclusion by indicating that customers “...could not be served if Peak-Hour**  
87 **Services are not obtained this heating season.”<sup>5</sup> Do you concur with this testimony?**

88 A. Mr. Platt’s testimony was filed by the Company on August 25. This representation was not  
89 contained in Mr. Mendenhall’s direct testimony filed on May 4, 2017. As a result, it was not  
90 possible to fully consider the validity and relevance of this testimony. However, I did ask  
91 (through a DPU discovery request) the Company to provide certain information regarding these  
92 statements. The response to this inquiry was provided in the response to DPU 4.01. This is  
93 attached to my testimony as Exhibit 2.3 SR. The response indicates that over the ten-year  
94 period through the 2016-2017 heating season that no sales or transportation customer has been  
95 curtailed due to a lack of pipeline and/or storage capacity.  
96

97 In an earlier discovery request made prior to the filing of my direct testimony, QGC was asked to  
98 “...describe how TS customers benefit from the peak hour service currently contracted with Kern  
99 River.” There is no mention of any potential denial of service or a change in service, but for the  
100 existence of the Kern River agreement for peak-hour service. The response is contained in  
101 DPU 2.07, and is attached to my testimony as Exhibit 2.4 SR.  
102

103 **Q. In its response to DPU 4.01, QGC included a table of instances where customers were denied**  
104 **service as a result of various factors, including “inadequate capacity”. Have you reviewed that**  
105 **information?**

106 A. Yes. While the discovery request asked for “...a detailed description of the circumstances in  
107 which such denial occurred,” this table was all that was provided. Based on the information  
108 contained in the table, it appears that there were ten instances in which service was denied due  
109 to “inadequate capacity” over the ten-year time period contained in the table. There is no  
110 specific reference to any denial of service for firm sales customers. Interestingly, the last denial

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<sup>5</sup> Rebuttal Testimony of Michael L. Platt, at page 3, lines 10-25.

111 was based on a January 23, 2017, analysis date; during the time in which the Kern River Peak  
112 Hour service was available.

113

114 **Q. At page 5, lines 24-29 of his testimony, Mr. Platt states that if the Commission does not**  
115 **approve the QGC recommended peak-hour services, “...Dominion Energy will not have the**  
116 **resources to serve its customers on a firm basis and meet a design peak day.” Based on the**  
117 **evidence in this case, do you believe that this conclusion is adequately supported or at least**  
118 **has some arguable basis?**

119 A. QGC has operated for many years without having peak-hour services. During these many years  
120 of service to customers, I presume that the Company represented to this Commission that it  
121 operated its system in a safe, adequate, and reliable manner. The load characteristics of firm  
122 sales customers in the QGC service area have not likely changed materially over this historical  
123 period. Mr. Platt would have us believe that system planning must now be focused on peak-  
124 hour requirements, or customers will be put at risk. This implies that local distribution  
125 companies throughout the country, who manage system planning on a peak-day basis, are  
126 currently operating their systems in an unsafe and unreliable manner. Of course, this is not the  
127 case.

128

129 **Rebuttal Testimony of William F. Schwarzenbach III**

130 **Q. Mr. Schwarzenbach’s testimony references that “Mr. Lubow argues that he has never seen**  
131 **any literature or industry practice consistent with planning system requirement on an hourly**  
132 **basis.”<sup>6</sup> Is this an accurate representation of your testimony?**

133 A. No. My testimony is more specific to the QGC proposal “...to meet its system requirements on  
134 the basis of peak hour requirements.”<sup>7</sup>

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<sup>6</sup> Rebuttal Testimony of William F. Schwarzenbach III at page 2, lines 30-31.

<sup>7</sup> Direct Testimony of Howard E. Lubow at page 9, lines 146-148.

137 **Q. Mr. Schwarzenbach then goes on to say that he has seen industry standards or practices that**  
138 **support hourly planning, referencing FERC Order 809. I believe that you previously**  
139 **commented on the lack of relevance of this Order to the QGC proposal in this proceeding. Do**  
140 **you have any additional comments based on Mr. Schwarzenbach’s testimony?**

141 A. I have no further comments, aside from pointing out that as irrelevant as this order is to this  
142 case, it was not produced in a previous request made for this type of material when made on  
143 June 29, 2017.<sup>8</sup>

144 **Q. Mr. Schwarzenbach has provided six plus pages of testimony to address what he refers to as**  
145 **“Peak Hour Solutions” commencing on page 9 of his rebuttal. Do you have any comments**  
146 **regarding this testimony?**

147 A. Yes. At the outset, as I have addressed in this testimony as well as in my direct testimony, the  
148 assumption that there is a peak hour problem that requires a “solution” is itself unclear at best.  
149 Mr. Schwarzenbach cites cases or examples of services that may or may not be relevant to the  
150 issues in this proceeding. This material was requested months ago, but was not cited or  
151 previously produced. In any event, simply referencing the fact that customer load varies  
152 throughout a design peak day, is not itself a basis for designing resource requirements focused  
153 on a peak hour; nor does it mean that the utilities identified or others in the industry acquire  
154 services to meet a design peak hour.

155

156 **Rebuttal Testimony of David Christian Landward**

157 **Q. Mr. Landward has filed testimony to address what he believes is your inappropriate reliance**  
158 **on actual historical data and failure to appreciate, and take into consideration, the factors**  
159 **that contribute to a peak design day. Do you agree with that characterization of his**  
160 **testimony?**

161 A. Yes; however, I disagree with this testimony.

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<sup>8</sup> Response to Discovery, DPU 2.06; also included herein as Exhibit 2.1 SR.



164 **Q. Mr. Lubow, let me ask you if you know the difference between actual historical peak data and**  
165 **a design peak day?**

166 A. Of course I do. In my direct testimony, at page 7, lines 180-184, I specifically identify the  
167 variables that Questar considers, and the assumptions they make in developing peak design day  
168 estimates.

169

170 **Q. Did you then, or do you now, take exception with the QGC factors considered, or how their**  
171 **model quantifies the effects of these factors?**

172 A. I do not. However, a review of the QGC design day model was outside the scope of my review.

173

174 **Q. Was it your intent to have the Commission rely on historical data contained in your testimony**  
175 **as a substitute for resource planning being based on design day requirements?**

176 A. Of course not. My testimony makes no such suggestion. However, historical data are inputs  
177 into the determination of a design day, and looking at that data over a 20-year period provides  
178 some context to the design day requirement.

179

180 **Q. In your discussion of design day or historical peak day data, aside from temperature, did you**  
181 **neglect "...other significant factors, namely wind, prior day demand, day of the week, and**  
182 **holidays..." as stated by Mr. Landward as page 2, lines 24-27?**

183 A. No. However, temperature is universally considered as the primary variable driving incremental  
184 gas consumption in a peak period. These other factors may contribute to consumption and  
185 provide more precision to design estimates. Historical actual consumption, of course, reflects all  
186 variables impacting customer demand on a given peak day.

187

### 188 **Summary and Recommendations**

189 **Q. In your direct testimony, you concluded that Agreements made or pending with pipeline**  
190 **suppliers were not necessary at this time. Having reviewed the additional evidence provided**  
191 **by QGC in rebuttal testimony, do you still come to this same conclusion?**

192 A. I do.

193 **Q. The Application in this proceeding sought approval to allocate costs associated with Peak Hour**  
194 **Service on Kern River to transportation customers. In evaluating this proposal, the scope of**  
195 **evidence has become more expansive, extending beyond the question of allocating costs to**  
196 **transportation customers. Based on the evidence now under consideration in this case, what**  
197 **would you recommend that the Commission do at this time?**

198 A. The matter brought by the Company at the outset is to assess whether or not to approve the  
199 allocation of certain costs to transportation customers. However, the implications of allowing  
200 QGC to continue on the basis of providing for supply services in a manner that is unique within  
201 the industry, if given any weight by this Commission, should be subject to a more rigorous  
202 showing by the Company and an independent review... a process that has not occurred in this  
203 proceeding.

204  
205 If allowed to proceed with its stated plans, QGC will now incur millions of dollars per year in  
206 additional costs for services that the DPU and intervenors have found questionable at best. If  
207 not directly addressed at this time, the potential recovery of these costs will be considered in a  
208 separate process. Using its peak-hour construct as a basis for planning, the Company has  
209 proposed a longer-term “solution” to be the construction of an LNG facility, which will result in  
210 additional costs to consumers of tens of millions of dollars per year. Based upon the significant  
211 cost implications to customers, both now and in the future, I would recommend that an  
212 independent study be performed to review the QGC planning process, to assess supply portfolio  
213 needs, and to consider the most economical options available to meet such needs.

214  
215 **Q. Does this conclude your prepared surrebuttal testimony?**

216 A. Yes, it does.

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P.S.C.U. Docket No. 17-057-09  
DPU Data Request No. 2.06  
Requested by Division of Public Utilities  
Date of DEU Response July 17, 2017

DPU 2.06 Please provide any AGA, NARUC or other industry publications that address the use of a peak hour for gas industry planning or utility cost allocation purposes that are in the Company's possession.

Answer: The Company does not currently have any industry publications in its possession that address peak hour for gas industry planning. On page 136 of "Gas Rate Fundamentals" Revised Edition (1969) by the American Gas Association, peak hour and peak day are included in the discussion for how to allocate capacity costs.

Prepared by: Kelly B Mendenhall, General Manager, Regulatory Affairs

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P.S.C.U. Docket No. 17-057-09  
Data Request No. 1.11  
Requested by Division of Public Utilities  
Date of DEU Response May 24, 2017

DPU 1.11 Is the capacity on the QGC distribution system designed to meet a design day or a design peak hour? Provide documents to support this response.

Answer: The system is designed to meet the design peak day, which includes a peak hour. Either flow condition must be accounted for. A peak hour occurs every day at a volumetric rate that is related to the daily volume. The peak hour of the design peak day is the maximum volumetric flow rate. The system is designed using a dynamic model. Company personnel are available to show and explain the model to interested parties.

Prepared by: Mike Platt, Manager of Engineering Systems, Dominion Energy

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P.S.C.U. Docket No. 17-057-09  
DPU Data Request No. 4.01  
Requested by Division of Public Utilities  
Date of DEU Response September 6, 2017

DPU 4.01: Referring to the rebuttal testimony of Michael Platt at page 3, line 16 to page 4, line 12. For the period covering 1997/98 heating season through the 2016/17 heating season, please provide:

- a. Each and every circumstance in which firm sales customers' gas services were curtailed due to lack of pipeline and/or storage capacity. For each such event, provide a detailed description of the circumstances in which such curtailment occurred.
- b. Each and every circumstance in which firm transportation customers' gas services were curtailed due to lack of pipeline and/or storage capacity. For each such event, provide a detailed description of the circumstances in which such curtailment occurred.
- c. Each and every circumstance with a request for firm sales service was denied due to lack of pipeline and/or storage capacity. For each such denial of customer service request(s), provide a detailed description of the circumstances in which such denial occurred.
- d. Each and every circumstance with a request for firm transportation service was denied due to lack of pipeline and/or storage capacity. For each such denial of customer service request(s), provide a detailed description of the circumstances in which such denial occurred.

Answer:

- a. Firm sales customers' gas service has not been curtailed due to lack of pipeline capacity and/or storage capacity.
- b. Firm transportation customers' gas service has not been curtailed due to lack of pipeline capacity and/or storage capacity. These customers have been curtailed in the past because all or a portion of their supply was not delivered to Dominion Energy's system.
- c. See DPU 4.01 Attachment. If the Division seeks greater detail, Company personnel are available to discuss.
- d. See DPU 4.01 Attachment. If the Division seeks greater detail, Company personnel are available to discuss.

Prepared by: Mike Platt, Manager, Engineer Systems

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P.S.C.U. Docket No. 17-057-09  
DPU Data Request No. 2.07  
Requested by Division of Public Utilities  
Date of DEU Response July 14, 2017

DPU 2.07 Please describe how TS customers benefit from the peak hour service currently contracted with Kern River.

Answer: TS customer benefit from the peak hour services currently contracted with Kern River because it allows them to continue to be allowed to utilize gas service unevenly throughout the day on a firm basis.

Similar to residential customers, Transportation customers do not generally use their gas evenly through all hours of the day. Without some type of service to maintain firm service during the “peak hours” of the day the Company may be required to limit these customers to not exceed their scheduled deliveries during any hour of the day.

The firm peak hour service requires the upstream pipelines to reserve capacity that will be available to meet increased hourly flows on the Dominion Energy system on the peak hour of a peak day when the system needs it most. This extra capacity will, on a firm basis, assume that required supply will be available to meet the demand for firm sales and firm transportation customers.

Prepared by: Will Schwarzenbach, Director, Gas Supply

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