

Gary A. Dodge (0897)
Phillip J. Russell (10445)
HATCH, JAMES & DODGE, P.C.
10 West Broadway, Suite 400
Salt Lake City, Utah 84101
Telephone: (801) 363-6363
Facsimile: (801) 363-6666
Email: gdodge@hjdllaw.com
prussell@hjdllaw.com

Counsel for Utah Association of Energy Users

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
--	----------------------

PREFILED SURREBUTTAL TESTIMONY OF NEAL TOWNSEND

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

DATED this 19th day of September 2017.

HATCH, JAMES & DODGE

/s/ Phillip J. Russell _____

Gary A. Dodge
Phillip J. Russell
Attorneys for UAE

Certificate of Service
Docket No. 17-057-09

I hereby certify that a true and correct copy of the foregoing Prefiled Direct Testimony and Exhibit of Neal Townsend was served by email this 19th day of September 2017 on the following:

QUESTAR GAS COMPANY

Jennifer Nelson Clark	jennifer.clark@dominionenergy.com
Barrie McKay	barrie.mckay@dominionenergy.com

DIVISION OF PUBLIC UTILITIES

Patricia Schmid	pschmid@agutah.gov
J Chris Parker	chrisparker@utah.gov
William Powell	wpowell@utah.gov
Justin Jetter	jjetter@agutah.gov

OFFICE OF CONSUMER SERVICES

Steven Snarr	ssnarr@agutah.gov
Robert Moore	rmoore@agutah.gov
Michele Beck	mbeck@utah.gov
Cheryl Murray	cmurray@utah.gov

AMERICAN NATURAL GAS COUNCIL, INC.

Stephen F. Mecham	sfmecham@gmail.com
Bruce Rigby	info@amngc.org

/s/ Phillip J. Russell

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)

Surrebuttal Testimony of Neal Townsend

On Behalf of

Utah Association of Energy Users

September 19, 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 and Rebuttal Testimony on August 25, 2017, on behalf of the Utah Association of
11 Energy Users (“UAE”) in this docket?**

12 A. Yes, I am.

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

14 A. My surrebuttal testimony responds to the rebuttal testimony of Dominion Energy
15 Utah (DEU) witness Kelly B. Mendenhall and Office of Consumer Services (OCS)
16 witness Jerome D. Mierzwa regarding the allocation of costs for the new firm hourly
17 peaking service proposed by DEU.

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

19 A. There has not been a demonstration in this case that firm Transportation
20 customers have a significant hourly variance in their usage on a peak day. Further, the
21 mere existence of hourly variance on a peak day for Transportation customers would not
22 by itself show that Transportation customers contribute toward the alleged need for
23 DEU’s proposed firm hourly peaking service. Transportation customers are **not** the

24 cause of Dominion/QGC's alleged need for this firm peaking service, must make their
25 own upstream transportation arrangements, have not requested this upstream service, and
26 should not be forced to accept it.

27 If the Commission were to determine that the costs of the Kern River contract
28 should be allocated to Transportation customers, it should be allocated on the basis of
29 hourly variance relative to upstream contract capacity, because it is the supposed lack of
30 upstream capacity that drives the need for this service.

31

32 **II. RESPONSE TO MR. MENDENHALL**

33 **Q. Does DEU Witness Kelly B. Mendenhall propose that interruptible customers and**
34 **volumes should be utilized to allocate the costs of a peak hour service.**

35 A. No. Mr. Mendenhall explains that if interruptible customers continue to burn gas
36 on a peak day, that those customers will be charged a penalty, and that those charges will
37 be returned to other customers. The implication is that these charges would recover the
38 appropriate costs.

39 **Q. Do you agree with Mr. Mendenhall that interruptible volumes should not be**
40 **charged for a peak hour service?**

41 A. Yes, I do. As I describe in my rebuttal testimony, and for the reasons Mr.
42 Mendenhall provides, it would be completely inappropriate to allocate costs for a firm
43 hourly peaking service based on interruptible volumes.

44 **Q. Does Mr. Mendenhall demonstrate that the hourly demand for firm Transportation**
45 **customers is not evenly distributed across the peak day?**

46 A. No, rather Mr. Mendenhall points to Exhibit DEU 1.9R, which shows that DEU’s
47 estimated hourly demand for Sales *and* Transportation customers will not be distributed
48 evenly throughout the peak day. Mr. Mendenhall describes three flat lines in the exhibit
49 representing firm upstream capacity of all Sales customers, the assumed firm upstream
50 capacity of all Transportation customers, and the firm upstream capacity for the special
51 contract customer. The blue line on the graph represents DEU’s projected actual gas
52 demand on the system by all customers combined—Sales *and* Transportation customers.
53 Mr. Mendenhall claims that, without firm peaking service, the upstream pipelines can
54 only provide the actual projected volumes above the firm contract capacities on an
55 operationally available basis on the peak design day.¹ These volumes are labeled in the
56 chart in Exhibit DEU 1.9R as “Interruptible Capacity.”

57 **Q. What is your assessment of Exhibit DEU 1.9R?**

58 A. I have concerns with Mr. Mendenhall’s suggestion that DEU 1.9R provides
59 evidence that the hourly demand for firm Transportation customers would not be evenly
60 distributed throughout a peak day. The blue line that is used to represent the estimated
61 hourly usage includes all Transportation **and** Sales customers. Indeed, the volume under
62 the blue line and above the firm upstream capacity level is labeled “Interruptible
63 Capacity” and appears to also include interruptible volumes. One cannot determine from
64 this exhibit whether the variation being shown comes from Sales customers, interruptible
65 volumes, or firm Transportation customers.

66 I have further concerns with the area labeled “Interruptible Capacity,” which
67 purportedly represents hourly variable demand that could only be served operationally on

¹ Mendenhall Rebuttal, DEU 1.0R, pp. 10.

68 an “as available” basis without firm peaking service. Interruptible volumes that would be
69 curtailed on a peak day should not be included in this analysis. Those who do not curtail
70 would be charged a substantial penalty, which would likely more than offset any
71 associated costs for other customers. Interruptible transportation volumes do not
72 contribute to the alleged need for a peak hour service, in that they would be curtailed or
73 significantly penalized. DEU 1.9R does not provide evidence of variation in firm
74 *transportation* volumes on the peak day, nor does it provide evidence that non-
75 interruptible volumes exceed upstream capacity on a peak day.

76 **Q. Does Mr. Mendenhall provide any usage data for firm Transportation customers**
77 **that excludes sales customers and interruptible volumes?**

78 A. Yes. Mr. Mendenhall provides some such data in DEU 1.10RC.

79 **Q. Do you have any comments on DEU 1.10RC?**

80 A. I would note that the Exhibit shows firm Transportation customers’ average
81 hourly and daily usage over a three-month time period last winter. It does not purport to
82 reflect projected usage on a peak design day.

83 **Q. Even if the exhibit were relevant to peak day usage, how does the usage data for**
84 **firm Transportation customers in DEU 1.10RC compare to the usage of**
85 **interruptible volumes and firm sales customers?**

86 A. Exhibit DEU 1.10RC shows the Transportation customers average firm hourly
87 and daily usage. The variation in average hourly peak compared to average daily use is
88 roughly 7 percent.² This is less than half of the percentage variation in Transportation
89 customer usage shown in exhibit QGC 1.5, which includes interruptible transportation

² 6978/6501-1 = 7.3%.

90 volumes. Moreover, heating load typically has 35 percent more volume flowing during
91 the peak hour, which is about a 5 times greater percentage variation than firm
92 Transportation customers. The vast majority of Sales customers are heating load.³

93 **Q. The data in DEU 1.10RC shows the variation in average hourly consumption**
94 **compared to the average daily usage during the winter. Is this usage data**
95 **representative of the conditions on a peak day when the firm hourly peaking service**
96 **would allegedly be needed?**

97 A. I do not find any evidence in this docket that purports to show any relationship
98 between *average* hourly variation compared to the estimated hourly variation that would
99 occur on a *peak day*. Mr. Mendenhall provides Exhibit DEU 1.3 that purports to show
100 the estimated overall *system* peak hour differential of 17% on the *peak day*. However,
101 remember that most Sales customers, constituting 86.1% of peak day usage,⁴ are heating
102 load which typically has 35% more flow during the peak hour.⁵ Firm Transportation
103 customers, which constitute 13.9% of peak day usage,⁶ are claimed to have an *average*
104 hourly variation of only about 7%.⁷ One cannot reasonably draw any definitive
105 conclusions about the composition or contribution to *peak day* variance from *average*
106 hourly usage information. In fact, the projected overall system peak hour differential on

³ DEU Data Response to OCS 4.03(a): “The vast majority of Sales customers are heating load. Heating load typically has approximately 35% more volume flowing during the peak-hour.”

⁴ Mendenhall Direct Exhibit QGC 1.0C, pp 5.

⁵ DEU Data Response to OCS 4.03(a).

⁶ Mendenhall Direct Exhibit QGC 1.0C, pp 5.

⁷ Exhibit DEU 1.10RC.

107 a *peak day* is substantially less than the weighted average of the *average* peak hour
108 variation of firm Sales *and* Transportation customers.⁸

109 **Q. What other evidence does Mr. Mendenhall offer to suggest that Transportation**
110 **customers contribute to the alleged peak hour need?**

111 A. Mr. Mendenhall states that the number of Transportation customers on the system
112 continues to grow each year and that the percentage of these customers using natural gas
113 primarily for space and water heat is growing as a percentage of the total Transportation
114 customer base. Also, manufacturing loads and the electric generation customer loads
115 (excluding Lakeside) of Transportation customers have variability. Mr. Mendenhall
116 claims that this is evidence that Transportation customers do, in fact, contribute to the
117 need for peak hour service.⁹

118 **Q. How do you respond to these arguments?**

119 A. While I agree with Mr. Mendenhall that heating load contributes more to hourly
120 variance than some other types of loads, his claims about past growth in the number of
121 Transportation customers and his assertions about the current variability in firm
122 Transportation loads do not make a persuasive case that Transportation customers
123 contribute to the alleged need for an hourly *firm peaking* service.

124

⁸ Weighted average = (13.9% x 7%) + (86.1% x 35%) = 31.1%; assumes firm Sales customers demand is the same as heating load which typically has 35% more volume flowing during the peak hour.

⁹ Mendenhall Rebuttal Exhibit DEU 1.0R, pp 11.

125

III. RESPONSE TO MR. MIERZWA

126

Q. OCS Witness Jerome D. Mierzwa states that Transportation customers are contributing to hourly fluctuations in usage. What evidence does Mr. Mierzwa rely on to make this claim?

127

128

129

A. Mr. Mierzwa states that occasions on which firm Transportation customers usage is limited to the daily firm contract limit are not common, nor are the design peak days for which DEU claims it is necessary to purchase firm peaking service. Given this lack of data, Mr. Mierzwa states that it is reasonable to assume that the hourly fluctuations shown in Exhibit QGC 1.5 are representative of those that would exist if customers were limited to their daily firm contract limit under design peak day conditions. Mr. Mierzwa also states that I have not provided evidence to show that Exhibit QGC 1.5 is not representative.¹⁰

130

131

132

133

134

135

136

137

Q. How do you respond to Mr. Mierzwa?

138

A. In my view, the burden of proof should be to provide evidence that any given data *is* representative of a given circumstance, not the other way around. It is more difficult to prove a negative. I do agree with Mr. Mierzwa that DEU has not provided sufficient data to demonstrate fluctuations in the hourly demands of *firm* Transportation customers on a *peak day*. However, I disagree that QGC Exhibit 1.5 has been shown by anyone to be representative of expected fluctuations in hourly demands of *firm* Transportation customers on a *peak day*.

139

140

141

142

143

144

145

Q. Please elaborate.

¹⁰ Rebuttal Testimony of Jerome D. Mierzwa; OCS-1R, pp 7-8.

146 A. As noted above, it is completely inappropriate to allocate costs for an alleged peak
147 service need based on *interruptible* volumes; therefore, QGC 1.5—which includes
148 interruptible volumes—is not a representative data set. DEU 1.10RC actually provides
149 the same average hourly and daily usage of firm Transportation customers, but it
150 excludes interruptible volumes. The hourly variation shown in that exhibit is 7%
151 compared to 17% variation in the dataset that includes interruptible volumes. Further, as
152 indicated above, no one has demonstrated that average data is indicative of peak day
153 usage; no definitive conclusions can be reached. At the very least, the usage data in DEU
154 1.10RC that excludes interruptible volumes is superior to the data in QGC 1.5.

155 **Q. Mr. Mierzwa states that while he agrees that the use of the system during a peak**
156 **hour does not by itself justify an assignment of costs, since Transportation**
157 **customers are contributing to hourly fluctuations in usage he claims that justifies an**
158 **assignment of costs for the allegedly needed firm hourly peaking service.¹¹ How do**
159 **you respond?**

160 A. DEU’s proposed firm hourly peaking service is a form of upstream capacity that
161 DEU claims is needed to meet peak day needs. In other words, it is claiming that there is
162 insufficient upstream capacity on a peak day relative to the hourly fluctuations in overall
163 system demand. Fluctuations in average usage are not the problem that DEU is
164 proposing to solve to address this alleged need. Rather it is the lack of sufficient
165 upstream capacity to accommodate the estimated fluctuations on a peak day that DEU is
166 proposing to address with firm hourly peaking service.

¹¹ *Id.*, pp 8.

167 Transportation customers are responsible to purchase their own upstream capacity
168 from suppliers the same way DEU is responsible to purchase upstream capacity for its
169 Sales customers. While firm Transportation customers may have relatively minor
170 average hourly usage fluctuations (5 times less than typical heating loads), there is no
171 evidence to show that Transportation customers have not or will not secure sufficient
172 upstream capacity on a peak day.

173

174

IV. CONCLUSION

175 **Q. What does the data provided in this case tell you about the variation in hourly**
176 **demand on DEU's system?**

177 A. Exhibit QGC 1.3 shows that the projected hourly variance on a projected *peak day*
178 for the overall system is 17 percent. DEU 1.10RC shows that firm Transportation
179 customer *average* hourly variance during the last winter was only about 7 percent. DEU
180 Sales customers, which are primarily heating load, generally have an hourly variance of
181 35 percent. Although no data shows firm Transportation customers' projected hourly
182 variance on a peak day, it is apparent that Transportation customers have significantly
183 less hourly variance on average than heating load customers.

184 **Q. What is your recommendation to the Commission?**

185 A. I maintain that DEU has not demonstrated a need for its proposed firm hourly
186 peaking service. If the Commission nevertheless approves such a service, I recommend
187 that the Commission reject DEU's proposal to allocate any portion of the firm hourly
188 peaking costs to Transportation customers. There is no evidence that firm Transportation
189 customers lack sufficient upstream capacity to accommodate hourly variations on a peak

190 day and would thus contribute to the need for a firm hourly peaking service. No data
191 provided in this docket shows the amount of variance firm Transportation customers are
192 projected to have on a *peak day*. However, the evidence clearly shows that firm
193 Transportation customers have minimal *average* hourly variance compare to the rest of
194 DEU's system.

195 Further, it is inappropriate at this time for DEU to "step into the shoes" of
196 upstream service relationships for Transportation customers the first time this alleged
197 need is announced. To the extent that some solution is shown to be needed to meet peak
198 hour needs, there should be an opportunity for Transportation customers to make other
199 upstream arrangements to accommodate the same. Transportation customers do not
200 currently look to DEU for upstream services and should not be forced to do so here.

201 At the very least, if the Commission concludes that firm hourly peaking service
202 costs should be allocated to Transportation customers, they should be allocated based on
203 hourly demand variance, not total volumes. The alleged need for this service is driven by
204 the hourly variance in usage relative to upstream capacity, so it would be appropriate to
205 allocate its costs on the same basis to align costs with causation.

206 **Q. Does this conclude your surrebuttal testimony?**

207 A. Yes.