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dba Dominion Energy Utah

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO MAKE TARIFF MODIFICATION TO CHARGE TRANSPORTATION CUSTOMERS FOR PEAK HOUR SERVICES	Docket No. 17-057-09

POST-HEARING REPLY BRIEF OF QUESTAR GAS COMPANY DBA DOMINION ENERGY UTAH

Questar Gas Company dba Dominion Energy Utah ("Dominion Energy" or "Company"), respectfully submits its post-hearing reply brief.[1]

INTRODUCTION

The responsive post-hearing briefs submitted by the Division, the Office, and UAE reaffirm that the Contract is prudent and that the Company's proposed allocation of Contract costs is just and reasonable. The Division, UAE, and the Office offer *no evidence* or legal basis for their objections to the relief sought by the Company. Instead, they resort to mischaracterization of the Company's position and the evidence, backtracking from prior positions they have taken, and unsupported factual and legal arguments.

The Company has provided substantial evidence demonstrating that the services provided by the Contract are necessary, the Contract is the most reliable and cost effective option for addressing the peak-hour demand requirements for both Sales and Transportation customers, and the Commission can and should determine, in this docket, that the Contract is prudent and that the allocation of Contract costs proposed by the Company is just and reasonable. The Company requests that the Commission enter an order affirming as much.

ARGUMENT

I. The Timing and Content of the Company's Filings Was Appropriate and Did Not Prejudice the Division.

In their briefs, the Division, UAE, and the Office suggest that the Company's Tariff Application was defective because it was not accompanied by prudence evidence later provided in the Company's rebuttal testimony.[2] The Division and UAE go even farther. They claim the Company's decision to reserve prudence evidence for rebuttal testimony prejudiced the Division,

[1] Unless otherwise, this brief shall use the same defined terms as those in the Company's opening post-hearing brief.
[2] DPU Brief at 5-6; UAE Brief at 2-4; Office Brief at 3.

denied it due process, and demonstrates the Company's failure to satisfy its burden of proving the prudence of the Contract.[3] These arguments, in addition to being incorrect, mischaracterize the Tariff Application and the circumstances of this docket.

A. The Company Properly Supported Its Tariff Application.

The Division, UAE, and the Office each incorrectly characterize the Tariff Application. The Tariff Application *does not seek* approval of a rate increase or a prudence determination. The Division acknowledged as much during the hearing.[4] Instead, this docket was filed as a tariff proceeding to request an appropriate allocation of Contract costs, which had been submitted and were later approved on an interim basis in the Pass-through Docket, to transportation customers.[5] As such, UAE's claim that the Tariff Application sought approval of a "proposed rate increase" for a "new category of services" and that the Company bears the "heavy burden to demonstrate that the proposed rate increase is just and reasonable" are misguided.[6] The same is true for UAE's entire discussion on pages 3 and 4 of its brief.[7] While the Company clearly has the burden to support the Tariff Application by showing that its proposed *allocation* is just and reasonable, it *did not bear the burden* of demonstrating the prudence of the Contract until it was challenged.

As demonstrated at length in the Company's initial post-hearing brief, no other party raised any prudence challenge to the Contract in the Pass-through Docket. Rather, the Division and UAE questioned the Contract's prudence for the first time in their July 26, 2017, direct

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[3] DPU Brief at 5-6; UAE Brief at 2-4.
[4] Transcript at 81:17-20.
[5] Pass-through Application at 1, 6, Docket No. 17-057-07; June 12, 2017 Order Memorializing Bench Ruing at 6-7, Docket No. 17-057-07.
[6] UAE Brief at 3.
[7] Indeed, the cases cited by UAE deal with specific instances where a utility was seeking approval of a rate change or increase. *See id.* at 3-4.

testimony in this docket.[8] Only then did the Company need to (a) respond to the prudence challenges raised, and (b) demonstrate the prudence of the Contract. Therefore, the Company's rebuttal testimony, rather than constituting a "damning admission that DEU failed to carry its burden of proof," as suggested by UAE, [9] properly addressed prudence when it was challenged.[10]

B. The Division Was Not Prejudiced by the Company's Rebuttal Testimony or Denied Due Process.

The Division and UAE contend that, even if the Contract is prudent, because a substantial portion of the prudence evidence was provided in the Company's rebuttal testimony, the Division was unfairly prejudiced and/or denied due process.[11] UAE does not argue, and its witness did not claim, that it was prejudiced. Nor does the Office argue that it was prejudiced in any way.[12] Thus, the only party alleged to have been harmed was the Division. But that is simply untrue.

While parties in Commission proceedings are entitled to "the essential elements of due process," as the Division previously argued before this Commission: "As long as a party to an administrative proceeding is reasonably apprised of the issue in controversy, and is not misled"

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[8] DEU Brief at 7-8.
[9] UAE Brief at 3.
[10] In its brief, the Office states: "Nor is the initial phase of putting interim rates into effect in a generic pass-through proceeding the appropriate forum to question the prudence of a specific contract listed as a supplier non-gas cost since rates are not final and will be scrutinized in the forthcoming audit and review." (Office Brief at 3.) This is a curious statement for two reasons. First, there is no reason why a party to a pass-through proceeding cannot *raise* prudence concerns in an interim phase of a pass-through proceeding. Second, and because of the awkward way in which the Division and UAE questioned prudence in this docket, the parties have separately agreed to a schedule in a more recently-filed pass-through proceeding (Docket No. 17-057-20) that will allow the prudence of DEQP Pipeline contract to be addressed before the interim rates are made final and before the audit and review has been completed.
[11] UAE Brief at 4-5; Division Brief at 5-6.
[12] *See generally* Office Brief.

due process is not violated.[13] In denying a claim that a party's due process rights had been violated because it allegedly had not been given sufficient time to address arguments raised by other parties, the Commission relied on the fact that the objecting party had itself raised the issues it was complaining about and that those issues had been the subject of discovery and testimony.[14] The same is true here.

The Division had more than a year-and-a-half to assess the Company's peak-day modeling, the peak-hour need, and the options to address that need, including the Contract.[15] The Division was aware the Contract would be at issue in this docket, held numerous meetings with the Company about it, conducted discovery about the Contract, and specifically asked the Commission to determine in this proceeding rather than the Pass-through Docket, whether the Contract is prudent.[16] Given this, the Division cannot claim to have been unfairly deprived of notice and fair opportunity to assess the prudence of the Contract. The Office, which did not even file direct testimony, retained an expert to address the Company's Design-day analysis and the need for the Contract. This witness was able to review the evidence and make a determination in the time allowed. Moreover, the Division never sought additional time to address the Company's rebuttal testimony. Thus, if the Division lacked sufficient time to retain an expert that was solely the result of the Division's inaction. It was not prejudiced or denied due process by the Company's actions.

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[13] Order on Application for Review and Rehearing and Request for Reconsideration, *In re All-American Telephone Co., Inc.* Docket No. 08-2469-01, 2010 WL 4823682 (July 6, 2019) (quoting *Energy West Mining Co. v. Oliver*, 555 F.3d 1211, 1219 (10th Cir. 2009)).
[14] *Id.*
[15] DEU Brief at 2-6.
[16] *Id.* at 5-7.

II. The Contract's Prudence Should Be Determined in this Docket.

In stark contrast to its pre-filed testimony, the Division now argues that prudence should not be determined in this docket. In its pre-filed testimony, the Division stated:

> There are two issues *that need to be addressed* in this Docket. *The first is whether the contract with Kern River is necessary and in the public interest.* If the contract is determined to be appropriate, then the second question is whether a portion of this cost should be allocated to the transportation customers that could benefit from the service.[17]

Despite having raised the prudence challenge and after requiring the parties to expend significant time and resources litigating the matter through testimony, data request responses, and hearing, the Division wants to hit the reset button. This is improper. It should not be permitted, after reading all of the pre-filed testimony and participating in the hearing, to restart the process to get a second bite at the apple.

For their part, UAE did not object to the Company's rebuttal testimony or claim that it needed additional time to respond to it,[18] and the Office does not object to a prudence determination in this docket.[19] The parties have gone to the effort and cost of presenting their evidence on prudence precisely because the Contract has been challenged *in this docket*. The Company submits that a decision should be made in this docket, not delayed further.

In a related, albeit equally incorrect argument, the Division and UAE claim that the Company has agreed to have all peak-hour contract issues (including the prudence of the Contract) determined in the Pass-through filed on October 1, 2017, Docket No. 17-057-20, ("Second Docket") in conjunction with the DEQP contract (the "DEQP Contract") or that the

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[17] *Id.* at 4:91-97 (emphasis added).
[18] *See generally* Townsend Surrebuttal. UAE's belated objection in its responsive post-hearing brief to having the Contract's prudence determined in this docket is nothing more than an attempt to delay any resolution to avoid the risk that costs will be allocated to its constituents. (UAE Brief at 5.)
[19] Office Brief at 3-4.

Commission has ordered as much.[20] This is untrue. The Company has not agreed that the Contract's prudence or the allocation of the Contract's costs should be resolved in the Second Docket. Nor has the Commission ordered as much. The Company did not address its DEQP Contract in this docket or the May 2017 Pass-through Docket, and is not seeking a determination on that contract in this proceeding, as Commissioner White noted during the hearing.[21] Indeed, it would be nonsensical to address issues raised in this docket yet again in the Second Docket, particularly where the Second Docket is not a tariff proceeding and will not address the allocation of the Contract costs.

III. The Evidence Demonstrates the Contract Is Prudent.

A. The Company Is Not Arguing that the Division Should Be Estopped from Disputing the Contract's Prudence.

The Division, UAE and, to a lesser extent, the Office, contend the Company is arguing that the Division is estopped from challenging prudence.[22] The Division and the Office also appear to suggest that the Company is seeking to claim that other parties' failure to object to the Contract during the IRP process should be deemed as an acknowledgment that the Contract is necessary.[23] Both arguments mischaracterize the Company's position.

The Company does not suggest that any party is estopped from raising issues here, or that any party's failure to object during the IRP process constitutes acquiescence. The Company included a history of its IRP discussions to demonstrate that all parties have been aware of the Contract and the evidence supporting the prudence of the Contract for a very long time. The

[20] DPU Brief at 7; UAE Brief at 5-6.
[21] Transcript at 100:21-24; 101:1-3.
[22] DPU Brief at 9-12; UAE Brief at 2; Office Brief at 2-3.
[23] DPU Brief at 9-11; Office Brief at 2-3.

Company has consistently discussed peak-hour services and the Contract, and neither the Division nor the Office has any basis to claim surprise or unfairness.

The IRP process has been established, among other reasons, to allow an open dialogue regarding concerns faced by the Company, options available to address those concerns, and the Company's plans for ensuring safe, cost-effective and reliable service. The Commission has encouraged parties participating in the IRP process to raise issues relating to the planning process as soon as possible to make the process worthwhile and to avoid inefficiencies.[24]

The Company raised the peak-hour demand issue in December 2015, and thereafter discussed at length the reasons for that demand and the action the Company believed was most reliable and cost-effective to address that demand.[25] The Division and others had ample opportunity to learn about and investigate the prudence of the Contract. They chose to challenge prudence here for the first time. If anything, this tactic prejudiced the Company by requiring it to address new concerns on an expedited basis during the 30-day period between July 26, 2017, and the due date of its rebuttal testimony on August 25, 2017. Thus, while the Company is not arguing that the Division should be estopped from challenging the prudence of the Contract, *it is arguing* that the Division should not be permitted to delay a prudence determination on the premise that it has not had adequate time to assess the Contract.

B. The Evidence Supports a Determination that the Contract Is Prudent.

On the substantive question of the prudence of the Contract, the UAE, the Office, and the Division offer differing arguments. UAE dedicates just one paragraph of its 16-page brief to the prudence of the Contract.[26] In that paragraph, UAE does not point to any evidence it claims

[24] DEU Brief at 13.
[25] *Id.* at 2-6.
[26] UAE Brief at 6.

shows the Contract is unnecessary. It merely states that the evidence from "every independent expert and other party confirms that neither the peak hour services nor the Kern River peak hour contract have yet been shown to be necessary or prudent."[27] This statement, however, is patently incorrect.

The footnote accompanying this statement merely refers to testimony where other parties simply state or restate their positions—not evidence.[28] That testimony is not supported by evidence and was overwhelmingly refuted by the Company's evidence.[29] UAE selectively cites to a portion of Mr. Mierzwa's surrebuttal, but ignores his testimony in both his surrebuttal and hearing testimony where he unequivocally states that the Company's evidence shows the Contract is necessary and prudent.[30] Similarly, UAE selectively cites to a portion of Mr. Mangelson's hearing testimony, but excludes other testimony in which he states that the Company's evidence may be sufficient to demonstrate that the Contract is prudent.[31]

The Office's position on the question of prudence is less clear, and is confused by its attempt to backtrack from prior testimony. In its brief, the Office summarizes the prudence standard, notes that Mr. Mierzwa (the Office's expert) raised concerns about the Company's Design Day modeling, and claims its position has consistently been "that it could not support the

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[27] *Id.*
[28] *Id.* at 6 n.13.
[29] DEU Brief at 16-25.
[30] Surrebuttal Testimony of Jerome Mierzwa at 7:160-62 ("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*.") (emphasis added); Transcript at 137:4-7 ("Based on the evidence presented by the Company, particularly Mr. Platt's analysis in his rebuttal testimony, it appears there is a need for the 100,000 decatherms of Kern River.").
[31] Surrebuttal Testimony of Gavin Mangelson at 5:101-02 ("The position of the Office is that the volumes included in the Kern River contract may have been shown to be necessary . . . ."; Transcript at 124:24-125:1 ("[I]t is the Office's position that there may be a need limited to those that would be covered under this contract.").

prudence of entering into the Kern River contract to address the possible operational issues."[32] As discussed below, that is simply not accurate. In an effort to attempt to explain away Mr. Mierzwa's surrebuttal and hearing testimony, the Office states that "Mr. Mierzwa's hearing testimony was not inconsistent with the position the Office has outlined herein."[33] Yet, in the same breath, the Office, in a footnote, states that "Mr. Mierzwa did acknowledge that the Kern River contract might be one prudent alternative to address the current operational concerns Questar was facing."[34] But, Mr. Mierzwa did much more than that. He unequivocally stated that the Company's evidence demonstrates both the need for peak-hour services and the reasonableness of the volume provided by the Contract.[35] There was no "might" about it, no matter how much the Office would like to change the evidence on the record.

The Office's restated concern regarding the Company's Design Day analysis impact does not impact the prudence of the Contract. Mr. Mierzwa made his statements regarding the necessity of the peak-hour service provided by the Contract despite the concerns raised in his surrebuttal testimony regarding the Company's established Design-Peak-Day model.[36] Moreover, as Mr. Landward noted during his hearing testimony, even if the model were adjusted to include Mr. Mierzwa's figure, "there is still a need of more than 300,000 decatherms that would have to be met, demonstrating that the Kern River peak hour service would still be necessary."[37] This conclusion went unrebutted by any party.

Lastly, the Division's prudence arguments merely restate claims made in testimony that the Company demonstrated were unsupported. For instance, the Division argues that the Design

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[32] Office Brief at 5.
[33] *Id.*
[34] *Id.* at n.3.
[35] Mierzwa Surrebuttal at 7:160-62; Transcript at 137:4-7.
[36] *See generally* Surrebuttal Testimony of Jerome Mierzwa.
[37] Transcript at 37:25-38:3.

Day circumstances used by the Company in its modeling would rarely occur and that the last Design Day event occurred in 1963.[38] However, in the same breath, the Division acknowledges that the Company has the obligation to provide safe, adequate, and reliable service, which the Division's expert confirmed included during both expected and extreme weather conditions.[39] That is precisely what the Design-Peak-Day modeling is intended to accomplish—to plan for extreme weather that, although rare, would result in catastrophic circumstances if not accounted for. In fact, the Division's expert acknowledged that the Company's planning and peak-day analysis is "consistent with current industry practice."[40] Thus, the fact that a Design Peak Day is a rare event does not obviate the need for the peak-hour services provided by the Contract.

Indeed, the Company also needs the peak-hour services on cold non-peak days. As Mr. Schwarzenbach noted, "[W]hen winter days come along and we've got that fluctuation, any amount that we're flowing over our scheduled quantity for the day is done so on an interruptible basis . . . So we utilize that on other days to minimize how much we're flowing on an interruptible basis on the other pipelines. Do we necessarily need to use it on those days? Not unless we're interrupted on that upstream pipeline."[41] In his rebuttal testimony, Mr. Schwarzenbach pointed out that the hourly fluctuations have historically exceeded the total contract limit during each heating season from 2011 until 2017.[42] Though a peak hour of a peak day may only occur once every 20 years, the need for peak-hour services has occurred for each heating season during the last six years. It is prudent for the Company to obtain the peak-hour services to ensure that customers continue to receive safe and reliable service during cold-

[38] DPU Brief at 3.
[39] *Id.* at 3; Transcript at 112:17-21.
[40] Transcript at 109:3-8.
[41] Transcript at 75:6-16.
[42] DEU Exhibit 4.2R.

weather days when the peak-hour exceeds the total contract limit for the day. In addition, the Division's argument that firm sales have been 15% below the Company's Design Peak Day requirement and have "averaged 20% below the Design Peak Demand levels" simply misrepresents the data, as Mr. Landward pointed out both in his rebuttal and hearing testimony.[43] Mr. Lubow's analysis is deficient because he compares "firm sales that did not occur under design conditions to estimates of levels that would be seen under such conditions" and does not address the "changes in firm demand that are caused as such conditions affecting demand shift from observed levels to more extreme design levels."[44] The Company's analysis, by contrast, analyzes firm sales demand under Design Peak Day conditions.[45]

Similarly, the Division's arguments that the Company has planned on a Design-Peak-Day basis (as opposed to a peak-hour basis), that it has historically been able to rely on supply flexibility provided by upstream pipelines to meet intra-day demand shift, and that peak-hour services are not commonly used in the industry all miss the point. The Division also does not dispute the fact that the Company's upstream pipelines have indicated an unwillingness and/or inability to provide the same degree of flexibility they have in the past to accommodate variances in hourly demand or the fact that the Contract is the most cost-effective means of addressing that shortfall.[46]

Finally, the Division's contentions that the Company has "failed to show that it meaningfully explored more economical alternatives" and that the Company could satisfy the same need by merely installing flow control on its 12 largest customers, flies in the face of

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[43] DPU Brief at 3.
[44] Transcript at 35:14-22.
[45] *Id.* at 35:23-37:4.
[46] DEU Brief at 18-19; Direct Testimony of Howard Lubow at 4:112-15; Transcript at 113:11-23, 114:11-24, 115:12-17.

overwhelming evidence.[47] In its rebuttal testimony, the Company addressed each of the Division's proposed alternatives to the Contract and showed those alternatives to be more costly than the Contract or unworkable, and described in detail the options that had been considered.[48] This testimony went unrebutted in the Division's surrebuttal and hearing testimony. In addition, as Mr. Schwarzenbach fully explained, installing flow control on *all* transportation customers would not be sufficient to address the peak-hour demand problem addressed by the Contract and would be impractical and cost-prohibitive.[49] That evidence also went unrebutted. As such, the Division's post-hearing calculation in its responsive brief is irrelevant.[50]

IV. The Commission Can and Should Approve the Company's Proposed Allocation.

Finally, as with the issue of prudence, the Office, Division, and UAE have disparate views of the allocation of the Contract costs. In its brief, the Office "reaffirms the position it took in prefiled testimony and during the hearing that, if the Commission finds the Kern River contract prudent, the Office supports an allocation of a portion of the costs associated with current contract levels to transportation customers as part of the new peaking services proposed in this docket."[51] That said, the Office maintains that the allocation should be made on a final, not interim basis, and claims the Company has not asked for interim rates in this docket and provides no legal support for such a request.[52] But this argument overlooks the fact that the Company has already been granted recovery of the Contract costs on an interim basis in the Pass-

[47] DPU Brief at 5.
[48] Rebuttal Testimony of William Schwarzenbach at 9:199-15:350.
[49] Transcript at 59:15-60:14.
[50] DPU Brief at 5.
[51] Office Brief at 6; *see also* Transcript at 123:22-124:3 ("[T]he Office supports the proposed rate as representing the correct allocation of those costs and recommends that the Commission either approve the rate or provisionally approve the rate subject to a final determination on the prudency of the peak hour contract.").
[52] Office Brief at 6.

through Docket.[53] Also, there is no legal doctrine that would preclude the Commission from allocating 191 account costs on an interim basis subject to a final order after completion of the audit.

As to the Division's position on allocation, it maintains that, if the Commission determines the Contract is prudent, the Contract costs should be allocated based on "how the contract is to be used."[54] Specifically, the Division argues that the Commission should allocate the costs as set forth in Mr. Lubow's and Mr. Wheelwright's testimonies, i.e. allocating a portion of the costs to interruptible customers and including the Lake Side contract in the analysis.[55] The Company addressed these issues directly in its opening post-hearing brief,[56] and the Division offers nothing new on these points.

Lastly, UAE argues with not a little exaggeration that the Company's proposed allocation "is inviting the Commission to violate the law by ignoring a mandatory legal requirement in its tariff."[57] Indeed, UAE states that, merely because the law was violated in another instance (i.e. the Transportation Docket), that does not justify doing so again here.[58] Second, UAE contends that the record does not support the Company's proposed allocation.[59] Specifically, UAE maintains that the data shows transportation customers are not the cause of the

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[53] While the Company is not opposed to a final allocation, the Division stated during the hearing that it wanted the right to complete it audit, which could involve auditing the amount of the Contract, and the Company did not want to deprive the Division of its right to complete the audit. If the Commission were to determine the Contract to be prudent, and the Division indicated that it did not have any further audit issues relating to the Contract, the Company believes it would be appropriate for the Commission to enter a final order allocating the Contract costs.
[54] DPU Brief at 8.
[55] *Id.*
[56] DEU Brief at 32-34.
[57] UAE Brief at 7.
[58] *Id.*
[59] *Id.* at 8.

"alleged need for a firm upstream hourly peaking service."[60] UAE further argues that there is no evidentiary basis to allocate a specific level of design day costs to transportation customers.[61] These arguments are incorrect.

First, allocating the Contract costs in this docket would not be a violation of the law, nor was the Commission's decision to allocate costs in the Transportation Docket a violation of the law. *Taghipour v. Jerez*, 2002 UT 74, on which UAE relies on to claim that the Tariff should control over Utah Code Ann. § 54-4-4(2) because it is allegedly more specific, is inapplicable. That case merely recites that general rule of construction that, where two *statutory* provisions cover the same subject, the more specific one controls.[62] Here, there are no competing statutory provisions. As noted in the Company's opening brief, § 54-4-4(2) provides the Commission with the authority to allocate costs in this proceeding. To the extent this statute conflicts with the Tariff, or any other regulation or agency rule for that matter, the statute always controls.[63] It is notable that UAE does not deny that the language of § 54-4-4(2) grants the Commission the authority to allocate costs outside of a general rate case.

In any event, the Company is not suggesting that the allocation should not or could not be reviewed during a general rate case. Indeed, in the Transportation Docket, the Commission approved an allocation of costs to transportation customers and it ordered the allocation to be reviewed during the next rate case:

> Questar proposes to update this rate in conjunction with each 191 account pass-through application, at least annually. The Division supports this

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[60] *Id.*
[61] *Id. at 9.*
[62] 2002 UT 74 ¶ 11.
[63] *See Ferro v. Utah Dept. of Commerce*, 828 P.2d 507, 512 n.7 (Utah Ct. App. 1992) ("Given the established rule that agency regulations may not abridge, enlarge, extend or modify the statute creating the right or imposing the duty, it is the statute, not the rule, that governs. If an agency regulation is not in harmony with the statute, it is invalid.") (internal quotations and citations omitted).

> proposal. We agree with Questar that eventually the updating of the new rate in 191 account pass-through proceedings will reflect a mechanical approach. But in the near future, since the Imbalance Charge is new, we find value in having it reviewed and evaluated in each 191 account filing and also in the upcoming 2016 Questar general rate case to determine whether Questar's stated objectives in this docket are being achieved and whether unintended consequences are occurring. Therefore, we find it is reasonable to update the charge both as proposed by Questar and in the 2016 general rate case.[64]

The Commission went on to note that sections of the Tariff may need to be updated to reflect the Commission's decision.[65] The very same approach could and should be undertaken here.

Second, the Company has provided unrebutted evidence demonstrating both that (i) transportation customers should be allocated a share of the Contract costs, and (ii) the Company's proposed allocation is reasonable. The Company's evidence demonstrates that transportation customers' actual hourly usage varies from their average daily usage. UAE provides little evidence refuting the Company's analysis. In contrast, the Company's data shows that transportation customers have variable hourly usage that necessitates peak-hour services.[66]

In addition, the Company's allocation methodology—which relies on transportation customers' total design peak usage (13.9%)—is an entirely reasonable basis for allocating a portion of the Contract costs to transportation customers. UAE maintains that this percentage is not meaningful because it tells one nothing about transportation customers' "likely contribution to *hourly usage variance*".[67] This is not a justifiable basis to object to the 13.9% allocation.

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[64] *Id.*
[65] *Id.*
[66] UAE's contention that, using Design Peak Day usage for allocating the Contract costs "is particularly unreasonable given uncontested testimony that a relatively small percentage of gas transportation load is used for heating purposes . . . ." (UAE Brief at 13.) But this argument misses the point. Whether transportation customers' usage is dedicated to heating purposes or some other purpose, their usage varies throughout the day and exceeds their firm reserved demand. As such, they create the need for peak-hour services.
[67] UAE Brief at 10.

While hourly peak-hour usage for Transportation customers on a peak day is not available at this time, the only available data shows that Transportation customers, as a class, have variable usage during the day and the peak-day percentage is the best available representation of the peak-hour usage for this class. Transportation customers' usage is calculated to be 13.9% of the Design Peak Day load.

UAE offers little evidence that the Company's allocation is not just and reasonable. The Commission has the authority to order the allocation proposed by the Company, and the evidence provided by the Company fully supports that allocation.

CONCLUSION

For the reasons presented above, the Company respectfully requests that the Commission enter an order:

(1) Determining that the Contract is prudent; and

(2) Authorizing the Company to implement the cost allocations in its proposed tariff (Exhibit DEU 1.7) to be effective on an interim basis and, after the Division has completed its audit, authorizing those changes on a final basis.

RESPECTFULLY SUBMITTED: November 30, 2017

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing **POST-HEARING REPLY BRIEF OF QUESTAR GAS COMPANY DBA DOMINION ENERGY UTAH** was served upon the following persons by email on November 30, 2017:

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