Docket No. 05-057-T01
DPU Exhibit. No. 5.0R (MHB-A)
Marlin H. Barrow
August 8, 2007

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of the Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders	)	Docket No. 05-057-T01

REBUTTAL TESTIMONY OF

MARLIN H. BARROW

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

August 8, 2007

INTRODUCTION

Q. Please state your name, business address, and present position with the Division of Public Utilities.

A. My name is Marlin H. Barrow; my business address is the Heber Wells Building, 160 East 300 South, Salt Lake City, Utah. I am employed by the Utah Division of Public Utilities (Division) as a Technical Consultant.

Q. Have you testified in this proceeding before?

A. Yes, I filed direct testimony on June 1, 2007 in this proceeding.

Q. What is the purpose of this testimony in this filing?

A. My purpose is to make the Division's specific recommendations to the Commission regarding the continuance of the Conservation Enabling Tariff (CET) tariff mechanism.

Q. Would please provide a summary of the Division recommendations?

A. Yes, in summary the Division recommends the following:

1) Continuation of the CET tariff through the Pilot Program period with some recommend changes.

2) Adoption of the refinement of the annual Revenue Per Customer (RPC) spread calculation.

3) Modification of the amortization and accrual limit ranges contained in the Settlement Stipulation.

4) Enhanced monitoring including the implementation of the requirement for Questar Gas Company (QGC) to file a twenty four (24) month to month financial forecasts with the filing of their annual results of operations.

5) Suspension of the CET tariff if QGC does not file rate case by December 2008.

DIVISION'S RECOMMENDATIONS

Q. Please discuss those recommendations.

First (1) Recommendation: Continuation of CET Tariff

A. The Division supports the continuation of the CET tariff through the Pilot Program period with some recommended changes as discussed below. QGC has demonstrated its commitment to DSM programs as witnessed by its implementation of those programs after receiving the Commission's approval to do so.[1] Because the programs were unable to begin until after the 2006-07 heating season, data on the effectiveness these programs in not available at this time other than the response data filed in Mr. McKay's June 1st testimony.[2] The Division recently filed with the Commission on July 25th, a report addressing the process to monitor and verify the results of QGC's DSM programs now in effect.

Second (2) Recommendation: Modification of the spread of the Annual Allowed CET RPC Calculation.

The Division supports the Company's recommendation of using a preceding thirty six (36) month average month to month spread to allocate the Commission-allowed annual DNG revenue per customer as testified by Company Witness Mr.

[1] Commission order issued on January 16, 2007, Docket No. 05-057-T01.
[2] Direct Testimony of Barrie L. McKay, Docket No. 05-057-T01, June 1, 2007, QGC Exhibit 1-YR 1.4,.

McKay. [3] This was also suggested by Division Witness Dr. Hansen in his report filed with the Commission on June 1, 2007.[4] This spread will be based on a rolling thirty six (36) monthly average of usage. By doing this, a more realistic monthly usage pattern will be utilized in calculating the month to month allowed GS revenues (GS-1 and GSS DNG revenues) used in calculating the monthly deferral amounts. This will smooth the degree of the month to month variances from the allowed DNG revenues that may occur in the deferrals in the CET tariff.

Third (3) Recommendation: Modified Limit Ranges

In the Settlement Stipulation approved by the Commission on October 5, 2006, limits were placed through August 2007, on the amount of GS revenue that could be amortized or accrued over a twelve month period in account 191.9. Those limits were, on a net basis, 0.5% of total Utah jurisdictional GS revenues for amortization and 1.0% of total Utah jurisdictional GS revenues for accruals.

The Company, in Mr. McKay's June 1st direct testimony, recommended removal of the limits altogether. However, the Division recommends that after August 2007, the limit, on a net basis, on the total amount of revenue that can be **amortized** in any given twelve (12) month period be retained for the remainder of the Pilot Program. The Division recommends that the allowed percentage of change should be modified to 2.5% of the Utah jurisdictional GS DNG revenue collected for that previous twelve (12) month period.

The Division does support the Company's recommendation to remove the limits on the amounts that maybe deferred into the 191.9 account.

[3] Ibid, lines 234-247
[4] "A Review of Natural Gas Decoupling Mechanisms and Alternative Methods for Addressing Utility Disincentives to Promote Conservation", Daniel G Hansen, Docket No. 05-057-T01, Section 5.1.

Q. Why the change to the DNG portion of the revenues?

A. The original stipulation set the amortization limit at 0.5% of total Utah jurisdictional GS revenues. This amount includes revenues to recover expenses for gas costs which adjust semi annually through the PGA 191 filings. The PGA 191 filings reflect current expectations in the natural gas markets which QGC has no control over. The CET Pilot Program is designed to true up the DNG portion of QGC's rate structure, therefore the recommendation to change the limits based on previous twelve (12) month GS DNG revenue collections.

Q. Why the increase from 0.5% to 2.5% in the percentage of revenues allowed for amortization?

A. The GS-1 DNG rate comprises about 20% of the total GS-1 rate structure, therefore the original rate limit of 0.5% was grossed up to five (5) times to 2.5 % to approximate the same proportion of revenue limit that is in the current stipulation.

Q. What is meant by the phrase "on a net basis" in referring to the amortization limit amounts over a twelve (12) month period?

A. The Division defines this to be the sum of the amortization debits and credits cannot exceed 2.5% of the preceding twelve (12) month GS DNG revenues. DPU Exhibit 5.1R attached hereto shows an example of this calculation using rounded numbers. Column D, line 3 shows the example of a calculated annual amortization limit assuming the GS DNG revenues, shown in Column D, line 1, were the previous twelve (12) month actual revenues. By assuming a limit of $3,800,000 and using the actual amortization requests of November 2006 and July 2007, a credit balance of ($256,000), as shown in Column D, line 9, remains. This means that the next amortization request can range between a credit amount ($3,544,000) (a refund to customers) as shown in Column D, line 10, to a debit amount of $4,056,000 or rate increase as shown in Column D, line 12.

Q. Why does the Division recommend retaining limits on the amounts that maybe amortized but recommend removing the limits on the amounts that maybe deferred?

A. Although there is no evidence to think otherwise, based on the past twelve month history, and because this is still a pilot program, the Division feels that for the duration of this pilot period of time, the amortization limits need to remain in place as a precautionary protection against unforeseen extreme swings in the amounts that maybe amortized (changes to the DNG rates) for ongoing 12 month periods. This precautionary protection goes both ways for ratepayers as well as the Company by placing the limits on a net basis.

Regarding the recommendation to remove the limits on the deferrals, the Division feels the Company has a valid point in Mr. McKay’s direct testimony about mixed signals being sent to the Company to aggressively pursue DSM programs while also placing a limit on the amounts that can be accrued should those DSM programs begin to reduce customer usage.[5] In reviewing the previous 12 month history of the deferral amounts entered into the 191.9 account (July 2006 through June 2007), the Division notes that, excluding the initial Company volunteered credit $1,100,000, the total amount deferred is $3, 269,045. [6]

[5] Direct Testimony of Barrie L. McKay, Docket No. 05-057-T01, June 1, 2007, lines 221-229.
[6] Questar Gas Financial Reports, June 2007, page 13

Given this observation and coupled with some recommendations which will follow, the Division feels there is sufficient evidence as well as safety mechanisms in place to warrant the removal of the limitations on amounts that may deferred into the 191.9 account.

Q. The term CET Pilot Program has been used in your testimony, what is the Division's interpretation of the period of time covered by the Pilot Program?

A. Arguments can be made in support of four different possible time periods. If one looks at the time period beginning with the effective date the GS DNG rates were adjusted per Commission Order[7] for the CET Program, the Program would cover the time from November 2006 through October 2009. If one were to base it on the one year review periods and accrual/amortization limits contained in the Settlement Stipulation, an argument could be made for a September 2006 through August 2009 time period. If one were to base it on the accounting entries being used for current reporting purposes, one could argue about a three year time period covering the calendar years of 2006 through 2008. And lastly, if one were to base it on the language of the Settlement Stipulation one could base it on an October 5, 2006 through October 4, 2009.[8]

The Division views the time period of the Pilot Program to run from November 1, 2006 through October 31, 2009, which begins with the period of time that the rates became effective. Of course in this proceeding, the Commission could order that the Pilot Program end upon the issuance of a Commission order. The

[7] Docket No. 05-057-T01, Order Approving Settlement Stipulation, October 5, 2006
[8] Settlement Stipulation Docket No. 05-057-T01, Paragraph 7.

Division looks to the Commission to determine the exact time period(s) of time that the CET Pilot Program is in effect.

Fourth (4) Recommendation: Enhanced Monitoring and Future Forecasts.

The Division supports the recommendation made by Dr. Hansen in his testimony recommending that the Company report to the Division for the GS-1 rate class (including GSS customers) the usage per customer, DNG revenues and number of customers separately for existing and new customers.[9] A new customer would be defined as a new premises added to the system since the customer count used to establish the base amount of revenue allowed per customer. In the case of the Pilot Program now in effect, that date would be since December 31, 2005. This data will enable the Division to monitor the usage patterns of customers for developing trends which may indicate potential areas of concern regarding the amounts being deferred into the 191.9 account. If trends do develop which cannot be readily be explained by examining the actual usage data, the Division can make additional recommendations to the Commission regarding possible mitigation remedies for the unexplainable results.

Currently, twelve month sales volume data for the GS Rate Class (unadjusted for temperature) is available in the monthly financials filed by QGC with the Commission. The Division would like to have a separate report prepared showing this same data broken out on a temperature adjusted basis by existing customers and new customers for the DNG revenues.

Because twenty month (20) future test periods are now allowed for rate case filings and in order to monitor the impact of the CET tariff as well as the DSM

[9] Rebuttal Testimony of Dr. Daniel G. Hansen, August 8, 2007, lines 518-530 and lines 542-544.

programs, the Division recommends to the Commission that QGC provide to the Division a twenty four (24) month by month forward looking financial forecast when the Company files its annual results of operations each year. The Division requests twenty four months to keep the forecasts on a calendar year basis which corresponds to QGC's fiscal years. The detail of what to include in this forecast can be worked out with the company between now and when the Company will file its 2007 Results of Operations. By obtaining monthly forecasts for twenty four (24) months, the Division will be able to better monitor the effect of the CET deferrals by comparing monthly actual results to the forecasted results for developing trends in forecasted GS customer usage patterns.

The Division desires to have this information even if for some reason the Commission decides to discontinue the CET tariff after the one-year review period.

Fifth (5) Recommendation: Suspension of CET tariff if Rate Case Not Filed by December 2008.

In order for any decoupling type mechanism to continue beyond the time period set aside for a pilot program, a fully vetted rate case needs to be the forum for review and decisions concerning those issues, as well as all other aspects of the Company's operations.

The Division has had strong indications from QGC it will be filing a rate case in 2008 due to the capital costs the Company has incurred over the past couple of years and in the near future. Preliminary indications are that this rate case would be filed sometime in the first half of 2008.

The Division feels decoupling mechanisms such as the CET tariff need to be reviewed periodically in the context of a general rate case to reset the base levels and review all other aspects of the Company's operations. To this end the Division recommends to the Commission that, should the Company fail to file a general rate case by December 2008, the Commission suspend the CET tariff.

Q. Are there any other recommendations?

Yes, the Division believes as a general policy matter, the Company should file a general rate case at least every four years regardless of whether or not a decoupling mechanism is in effect.

Q. Does this conclude your testimony?

A. Yes.