

Docket No. 05-057-T01
DPU Exh. No. 5 (MHB-A)
Marlin H. Barrow
June 1, 2007

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of the Joint Application) Docket No. 05-057-T01
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)

TESTIMONY OF

MARLIN H. BARROW

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

June 1, 2007

1 **INTRODUCTION**

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

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

7 **Q. Have you testified in this proceeding before?**

8 A. No.

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

10 A. My purpose is to introduce the testimony of Dan G. Hansen, a consultant with
11 the firm of Christensen & Associates, who has been retained by the Division to (1)
12 provide an independent review of decoupling mechanisms in general, (2) offer a
13 critique of Questar Gas Company's (QGC) Conservation Enabling Tariff (CET) for
14 the GS-1 customer class and (3) review any other recommendations that may come
15 before the Commission in this proceeding. I also will be presenting the
16 recommendations of the Division regarding the CET tariff on a going forward basis.

17 **Q. Why did the Division hire a Consultant regarding this matter?**

18 A. The Division retained the services of Christensen & Associates in order to
19 provide an independent review and critique of QGC's CET tariff as well as provide
20 expertise on decoupling mechanisms in general in order to assist the Division with
21 further analysis of decoupling proposals. Another reason was to remove any possible

22 perceived bias that may exist within the minds of parties involved in this proceeding
23 due to the initial role of the Division in this Docket.¹

24 **Q. What role was that?**

25 A. The Division was a co-applicant in this proceeding.

26 **Q. Why was the Division a co-applicant in this proceeding?**

27 A. As stated in Dr. William Powell's direct testimony filed in this Docket, the
28 Division was interested in addressing the issue of QGC's declining sales volumes in
29 order to remove the strong disincentive for QGC to engage in DSM programs to the
30 benefit of its customers².

31 **Q. Why the focus on DSM programs?**

32 A. Because DSM programs provide a means whereby QGC can help its
33 customers reduce their usage of natural gas, which usage, under traditional rate
34 making procedures, provide QGC's revenues. We need to remember that the CET
35 mechanism adjusts the DNG rates of QGC's GS-1 customer bills. Those GS-1 DNG
36 rates provide the annual revenue to QGC needed to cover the annual operating costs
37 plus provide a return to the Company on the capital invested in mains, feeder and
38 distribution lines in order to provide natural gas service to those GS-1 customers.

39 The DNG portion of a customer bill constitutes about 23% (actual is 22.8%)
40 of the total winter time cost to a QGC GS-1 customer. The other 77% of that bill is
41 gas cost which is passed directly on to the customer.³ If QGC can help customers

¹ Surrebuttal Argument of Roger Ball in Support of His Request for an Interim Rate Decrease, Page 3 of 22. "Having joined Questar in this Application, and further having now joined the Company again in the Stipulation, the Division cannot claim to be able to act as the statutory impartial investigator in this matter."

² Direct Testimony of Dr. William Powell, Docket No. 05-057-T01, lines 39-42.

³ Based on GS-1 rates, First 45 Dth, effective November 1, 2006 and excludes the \$5.00 per month customer charge .

42 improve the efficiency of their appliances that consume natural gas by offering
43 rebates to upgrade those appliances, then customers, over the long run, will save far
44 more in fuel costs⁴ than the minor true ups to the DNG rates that are made to
45 maintain a stable revenue stream to QGC. Plus as another possible benefit, I have
46 been taught that by reducing a demand for a commodity, there generally is a
47 corresponding reduction in the price of that commodity. If this is true, it seems to
48 follow that if QGC can help customers reduce their demand for natural gas it can help
49 in reducing the price of natural gas.

50 The operating costs that the DNG rates provide revenue for are costs that
51 QGC is at risk for and are not guaranteed recovery on. QGC still has every incentive
52 to control costs not only because of this fact but also because QGC provides the
53 lowest return to the shareholders of Questar Corporation's stock and must compete
54 with other operating units for capital dollars. It is hard to imagine a responsible
55 Board of Directors or senior management of Questar Corp. allowing excess expenses
56 in a company which provides the lowest return on those capital dollars.⁵

57 The Division believes that by providing a mechanism which removes gas sales
58 volumes as the main driver in the DNG revenue calculation in exchange for the
59 Company to actively pursue programs, which otherwise would harm their revenue
60 collection, in order to help GS-1 customers save on 77% of their overall bill, is in the
61 public interest.

62 **Q. Has QGC engaged in offering DSM programs to its customers?**

⁴ See Docket No. 05-057-T01 DSM Application, filed December 5, 2005, Exhibit 1.12.

⁵ Questar Corp. 2006 Earnings News Release, February 13, 2007, page 4, Questar Market Resources ROA 20.3%, Questar Pipeline ROA 11.4%, Questar Gas ROA 7.5%.

63 A. Yes, QGC has begun an aggressive DSM roll-out campaign aimed at reducing
64 its customer's gas usage by offering rebates on various energy conservation
65 measures.⁶

66 **Q. Have those DSM programs produced any measurable reductions in gas usage?**

67 A. It's still too early to determine what the effect the DSM programs will have on
68 reducing QGC's customer usage since we have not had a winter heating season in
69 which the DSM programs have been in effect. The total effect may not be known
70 until the end of the DSM pilot program. The Division is in the process, with the help
71 of the DSM advisory group, of developing a first year plan to monitor the
72 effectiveness of the DSM programs which will be submitted to the Commission in
73 July of this year.

74 **Q. Does the Division have any recommendations going forward regarding the CET**
75 **tariff?**

76 A. The Division supports the continuation of the CET tariff as long as QGC
77 continues to support and promotes DSM programs. There are some recommendations
78 the Division would like to make regarding the CET tariff. First the Division supports
79 the Company's recommendation that the month to month spread of the allowed DNG
80 revenue in the CET tariff should be based on a three average of actual revenue per
81 customer. Second and most importantly, the Division would require that in order for
82 the CET tariff mechanism to continue beyond the Pilot Program time period, a fully
83 vetted rate case would need to be filed by the Company in order to set the base
84 revenue requirement. It would also be at this time that the Division could make
85 specific recommendations regarding the calculation of the GSS and EAC rates as well

⁶ Docket No. 05-057-T01

86 as refinements within the GS-1 rate class. Third, the Division would propose that in
87 order for the CET tariff to remain in place, the Company would be required to file a
88 general rate case at least every four years in order to re-establish the base revenues of
89 the CET mechanism and provide a means for any other adjustments that parties deem
90 necessary.

91 **Q. Does this conclude your testimony?**

92 A. Yes.