-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO REMOVE GSS AND EAC RATES FROM COMPANY TARIFF	)))))	DOCKET NO. 06-057-T04

SUPPLEMENTAL TESTIMONY OF

MARLIN H. BARROW

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

January 29, 2007

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. My position with the Division is a Utility Analyst.

Q. Are you the same Marlin H. Barrow who submitted direct testimony in this Docket?

A. Yes .

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

A. I have two purposes:

(1) Offer rebuttal testimony to Mr. Dan Gimble's testimony proffered on behalf of the Committee of Consumer Services (CCS).

(2) Provide the Commission an alternative recommendation which both the Division and the Company feel could be implemented in the context of the Company's currently approved CET Tariff.

REBUTTAL OF CCS TESTIMONY FILED BY MR. DAN GIMBLE

Q Please address your rebuttal to the direct testimony of Mr. Dan Gimble who filed on behalf of the Committee of Consumer Services.

A. Mr. Gimble in his testimony has mixed a few concepts that need correcting. On pages 1, lines 20-22 and page 7, lines 5-7 he incorrectly refers to the amounts of $1.7 with $1.2 million for GSS and $.5 for EAC *as costs*. These amounts *do not represent costs*. They are *revenue projections*. The $1.2 is based on an actual number of customers within the GSS areas times the current GSS rate times a *projected Dth usage* for those customers. The $0.5 is the same for those customers residing in EAC areas times a fixed monthly charge. These amounts are revenue projections based on projected volume usage, not costs.

On pages 3 and 4 of Mr. Gimble's testimony he mentions a proposed solution the Committee offered at the time the task force was meeting which alludes to a concept of parties sharing cost responsibility. His justification for such a concept stems from an apparent perception that QGC's development of the GSS rates and EAC charges were in pursuit of business opportunities. This is true with respect to the development of the ten year GSS rates since QGC was competing with other companies to serve the St. George and Cedar City areas. However, those communities preferred QGC over the other competitors because of QGC long standing history and financial stability. The main issue here is the business opportunity was associated with the GSS rates that served communities for only ten years which ended in 1997 as stated on Mr. Gimble's testimony on page 5, line #8. It appears that the GSS rates in this Docket where established to last for twenty years rather than the previous ten years because of the increased costs associated with providing service to communities like Beaver or Cleveland and Elmo. In all of the twenty year GSS dockets, it was recognized by the parties involved in those dockets that the costs and projected revenues were based on estimates. Therefore, a definite time limit of twenty years was established for those rates to exist in lieu of considering whether or not the true "costs" of the providing that service had been recovered through rates. The Commission recognized that the analysis done to justify the expansion into these areas included significant unknowns and estimations but still agreed that the expansions were in the public interest. In the order for Docket No. 91-057-13 (page 3, paragraph 7), the Commission states the following:

> "In the event that financial projections are not realized, the impact of cross subsidization of rates by other customers would be minimal because the size of the project is small relative to the size of Mountain Fuel's system."

Q Are there any other issues you wish to disuss?

A. Yes. Another issue is the concept of "a windfall" as stated on page 9, line #8 of Mr. Gimble's testimony. There is no "windfall" associated with the revenues allocated to the GSS rate class and the EAC charges. These revenue amounts have always been included in the total revenue requirement assigned to cover the cost of service to the entire GS rate class (combined GSS and GS-1 classes). The revenues in question are an allocation of revenue assigned to these particular subsets of the GS rate class and are subtracted from the total revenue requirement of the GS rate class to arrive at the amount of revenue required from majority of the remaining customers in the GS-1 rate class. I think this will become even more evident as I explain the main purpose of filing this supplemental testimony.

ALTERNATIVE RECOMMENDATION

Q Before you address the Division's alternative recommendation, would you like t discuss relevant historical facts and developments?.

A. Yes. My supplemental Exhibit S1.1 is a brief summary of the time line of events leading up to the creation of this Docket.

The main points I want to focus on are the events between December 2005 and October 2006. During this time period, the original CET application was scrutinized and modified with certain elements broken out of the original application. One such element in the original CET application was a proposal to end the GSS rates which was deferred to a task force study. After the creation of the GSS/EAC task force in May 2006, the ramifications of what effect the CET tariff would have on GSS/EAC issues, should the Commission approve the CET tariff, became lost in all of the minutia that went into the review of the detail entailed in the Company's application in this Docket, including the request for an increase in the GS-1 rates. The link between this Docket and what happened with the creation of the CET pilot program which became effective November 1, 2006 was not really processed until after the filing of direct testimony in this Docket.

Q What did happen when the CET pilot program was approved by the Commission?

With the creation of the CET pilot program a limit was placed on QGC regarding the allowed amount of DNG revenue which may be collected from the customers of the GS class, *which class includes those customers under the GSS rates as well as those customers who have EAC charges on their bills*. This allowed amount ($255.53 per customer) is fixed and does not escalate over time. For simplicity's sake, I like to think of it as changing QGC's collection of revenues from a volumetric calculation (a commissioned sales person as an example) to a fixed revenue calculation (an example of this is a salaried person who does not get the benefit of any cost of living adjustments). Because QGC continues to bill its customers with volumetric rates applied to the Dth usage of each customer, as the average customer usage changes over time due to changes in such things as appliance efficiencies or average home size, a true-up is necessary to account for the differences between what is allowed and what is actually collected. The formula for this true-up calculation takes the actual number of customers times the allowed monthly amount as found in QGC's tariff in section 2.11 minus the actual revenues billed in the month. If the result of this calculation is positive, a debit is made to account 191.9, which is the account established per the Commission's October 5, 2006 order on the CET tariff stipulation. This represents an under collection. If the result is negative, a credit is made to the 191.9 account reflecting an over collection. At least twice a year the balance in this 191.9 account will be amortized over the next 12 month period. At the outset of this pilot program beginning November 1, 2006 the 191.9 account was credited with $1.1 million and the GS-1 DNG rates were reduced to reflect this adjustment. During the first year of this pilot program, there are restrictions on the amounts that maybe accrued in the account as well as the amount that may be amortized.

Q. Does the implementation of the CET tariff influence the Division's alternative recommendation?

A. Yes. The implementation of the CET tariff means that it is not necessary for a rate case to discontinue the GSS rates and the EAC charges. The GSS rates and the EAC charges can be discontinued *without increasing the GS-1 rates as proposed in the application*. That's because the $1.7 million dollars of revenue in question in this application has already been included in the revenue used to calculate the annual allowed revenue per customer limit of $255.53 placed on QGC in the CET order from the Commission. Any revenue shortfall due to the elimination of the GSS rate and

EAC charges that the Company may experience will be accounted for in the normal process of the CET true-up.

Q. What about the ITS and IS-4 rate issues?

A. The CET tariff applies only to the GS rate class. Similar to the GSS rates and EAC charges, the Division recommends that the ITS and IS-4 rates also be eliminated. If these rates are simply eliminated, the Company's revenue will decrease, everything else remaining the same, by approximately $200,000 to $250,000. Because the CET tariff applies only to the GS class, this revenue shortfall would not be trued up under the CET tariff. There may be ways of addressing this revenue loss for the Company, but the Division has no recommendation at this time. The Company will need to make a recommendation concerning this amount.

Q. Are there any other recommendations you would like to make?

A. Yes. Because of the issues raised in this proceeding concerning revenues collected by the GSS/EAC charges, the Division recommends that the Company account for the revenues that would have been collected by the GSS/EAC customers in a separate 191 sub account so that if any issues arise in the future about these rates, there can be a record of the revenues that would have been collected from these areas. The details of this will need to be worked out with the Company.

SUMMARY

Q. Would you please summarize your alternative recommendations?

A. Yes. The alternative recommendations can be summarized as follows:

(1) The Company is allowed to eliminate the sections of its tariffs that reference the GSS rates and EAC charges including the ITS and IS-4 rate schedules.

(2) Those customers affected by the eliminations of the above mentioned rates convert to their appropriate GS-1, IT and I-4 rate schedules without any increase to the DNG rates of the GS-1, IT and I-4 rate schedules.

(3) The Company continue to track in a separate sub account of the 191 account the estimated revenues that would have been collected with the GSS rates and EAC charges for a period not to exceed six years or until the next general rate case, which ever occurs first. The six year time period is the approximate amount of time remaining before the current GSS rates terminate and convert to the GS-1 rate.

(4) The Company be allowed to include in the CET tariff amortization this new 191 sub account subject to the limitations already in place per the Commissions October 5th order.

(5) If the Commission chooses this alternative, the Company file amended tariff sheets reflecting the current DNG rates that now exist for the GS-1, IT and I-4 rate schedules.

Q. Does this conclude your supplemental testimony?

A. Yes.