-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

STIPULATION SUPPORT TESTIMONY OF

MARLIN H. BARROW

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

March 14, 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. My position with the Division of Public Utilities (Division) is a Utility Analyst.

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

A. Yes.

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

A. My purpose is to provide the Commission with the Division's position regarding the GSS/EAC Stipulation now before the Commission.

DIVISION SUPPORTS STIPULATION

Q. What is the position of the Division regarding the Stipulation?

A. The Division supports the Stipulation.

MAIN ISSUES COVERED IN STIPULATION

Q. Why does the Division support the Stipulation?

A. The Division supports this Stipulation because it presents to the Commission a just and reasonable settlement and is in the public interest regarding the issues concerning the GSS rates and EAC customer charges. The issues resolved in this Stipulation are:

(1) Removal of the GSS, IS-4 and ITS rate schedules and EAC charges from Questar Gas Company's (Questar Gas) tariff as well as the section which discusses

the "Availability of Service to New Service Extensions Areas" (Pages 9-3 through 9-6).

(2) Defers the rate impact to current GS-1 customers which would have occurred by adjusting the GS-1 rate to account for the revenues currently collected under GSS rates and EAC charges. This is done by creating a deferred account 191.8 which will accrue those revenues with interest. This allows Questar Gas to continue to collect its allowed revenues with the exception of about $150,000, which Questar has agreed to forego collecting.

(3) Defines time periods which will allow for the amortization of deferred revenues in the 191.8 account as well as when the accrual of such revenues will no longer be allowed.

(4) Establishes policy to be followed for any future expansion of Questar Gas's distribution system to areas which currently do not have natural gas service by requiring that those projects will need to be funded by third party resources.

ESTIMATED REVENUE IMPACT OF ROLLING THE GSS/EAC REVENUE AMOUNTS INTO THE GS-1 RATES.

Q. What is the estimated impact of rolling the GSS/EAC revenues into the GS-1 rates?

A. Questar Gas's original filing in this Docket estimated an impact of $0.19 cents per month, or $2.24 on an annual basis, to a typical customer from rolling the revenues from the GSS/EAC rates and charges into the GS-1 rates. The Division, in a data request to the Company asked for an updated estimate of this impact based on current customers in the GS-1 customer class. The Company's response to that data request indicates that the current estimate of the impact to a typical customer is $0.156 cents per month or $1.87 on an annual basis.

Q. Is this a significant amount?

A. While “significant” certainly has different meanings to different people, the Stipulation could be approved by the Commission under a former Utah law known as the “Panguitch Bill”, formerly Utah Code 54-3-8.1.

Q. What was the purpose of that law?

A. The purpose of that law was to give the Commission authority to grant approval of applications to extend natural gas service to previously un-served municipalities if the following requirements were met:

“(a) The extension of service cannot be economically provided under existing tariff provisions for extension of services;

(b) The charges to customers in the extension areas will not be less than the charges to customers in areas where service has been extended under existing tariff provisions on a per customer basis;

(c) Any application, together with any increases that could result from previously approved applications, does not result in an incremental increase in annual rates and charges to existing customers of more that one-fifth percent as measured by rates in effect on July 1, 1998.”[1]

Q. How do the guidelines in this former law apply to this issue?

A. This law gave the Commission authority to approve applications for extending natural gas service to areas which previously did not have that service. By applying these same guidelines to the estimated revenue impact of this Stipulation, the impact

[1] Commission Order in Docket No. 98-057-02, Findings of Fact.

to existing customers is 0.1857%.[2] This falls below the one-fifth percent guideline (0.2%) in the Panguitch bill. If this law were in effect today, this application could be granted approval by the Commission based on these findings.

REASONS FOR SUPPORT OF STIPULATION

Q. On what basis does the Division support the Stipulation?

A. The Stipulation is consistent with the position the Division took in its direct and supplemental testimony.

In the Division's direct testimony filed in this Docket, the Division supported eliminating the GSS tariff and EAC charges that currently exist and rolling those eliminated revenues into the existing GS-1, I4 and IT rates.

The Division's direct testimony recommended that because there were issues concerning the potential raising of rates, it would be best to implement the elimination of the GSS rates and EAC charges through a general rate case proceeding.

A few days later, the Division filed supplemental testimony. The purpose of the supplemental testimony was to discuss the effects that the CET tariff has on the removal of the GSS rates and EAC charges and to provide an alternative recommendation to the Commission on the issue of the GSS/EAC rates and charges. The CET tariff automatically would have addressed the potential lost revenues from eliminating the GSS/EAC rates and charges. This is because those revenues had been included in calculating the CET tariff.

[2] This calculation assumes an annual usage of 115 decatherms, a revenue impact of $1,552,217 and a GS-1 customer count of 830,212 which was the actual customers in the GS-1 class as of January 2007 per a data request response for QGC to the Divisions data request 2.1 to QGC. The calculation was made using a model developed by the Division to help in responding to some data requests made to the Division by other parties in this Docket.

The Division's supplemental testimony contained an alternative recommendation to let the CET tariff adjusting mechanism adjust for the removal of the GSS rates and EAC charges. By making the adjustments through the CET tariff, the impact of removing the GSS/EAC rates and charges would already be accounted for in the monthly accruals, which had an effective date of November 1, 2006. These accruals began with an immediate reduction to the GS-1 DNG rates of $1.1 million for January 2006 through June 2006 as well as catch up entries made for July 2006 through October of 2006. At year end 2006, the un-audited balance in the CET tariff account is a credit balance of $1, 749,000. The Stipulation recognizes the effect of the CET tariff and is therefore consistent with the Division's supplemental testimony.

Q How does the Stipulation defer the impact of eliminating the GSS/EAC rates and charges?

A. The Stipulation addresses the 2nd issue, deferral of the rate impact, by asking the Commission for permission to create a GSS/EAC deferral account. This is facilitated through the creation of a deferred account 191.8 which will accrue those revenues with interest. Doing so allows Questar Gas to move the current GSS/EAC customers to the GS-1 rates while being able to track what the Company would have collected under the GSS/EAC rates and charges and to defer that difference to a later period. This will delay any immediate effect the removal of the GSS/EAC rates and charges will have on current GS-1 customers. The effect of placing the revenues into the new Account 191.8 is the same as if the revenues had been accounted for in the CET tariff except that the amortization of the GSS/EAC revenues may occur at different times. The balances in this 191.8 account are subject to audit and review by the Division.

How does the Stipulation establish definitive periods of time which govern when certain events take place?

A. The Stipulation does establish definitive time periods and events which must happen before Questar Gas may begin collecting the deferred revenues. As per the Stipulation, nothing will happen regarding the deferred GSS/EAC revenues until after the one-year CET tariff review before the Commission in September of 2007. After that review, any party may request permission from the Commission to begin amortizing the deferred balance of the GSS/EAC revenues outside of general rate case. The only event that will preclude this is if a general rate case is filed before the one year CET tariff review. In that case, the total cost of service of the Company may be subject to review, including the GSS/EAC revenues. However, recovery will be allowed of any revenues which may have been accrued into the GSS/EAC deferral account up to that point, subject to audit and review.

Q What about future expansion of Questar Gas's distribution system into areas which currently do not have natural gas service?

A. Per the Stipulation, before any future expansion can take place, the funds required to meet the minimum needs of that system expansion will have to come from third party sources. Questar Gas, by tariff, will no longer be able to provide the funds necessary for that minimum needs system requirement.

Q. Is there another reason why the Division supports this Stipulation?

A. Yes. The CET tariff set an annual amount of $255.53 of DNG revenue that Questar Gas is allowed to collect per GS-1 customer. If the actual amount is over or under that set amount, the DNG rates will be adjusted to make up or pay back the difference over the next 12 month period. In arriving at the average amount of $255.53, the revenues from the GSS/EAC customers were included. At a breakeven point or where the actual GS-1 DNG revenue received by the Company equals the allowed GS-1 DNG revenue, the annual average DNG revenue from a GSS/EAC customer exceeds the $255.53 allowed amount by $143.57 for a GSS rate paying customer and by $321.42 for an EAC charge paying customer.[3] This equates to a $0.0176 cent per decatherm incremental charge upon the current 8,000 GSS/EAC customers. Under the CET tariff mechanism, this incremental charge reduces the average to the rest of the 821,000 GS-1 class of customers. On a monthly basis, that's about a $0.154 cent benefit the GSS/EAC customers provide to the rest of the GS-1 customers.

SUMMARY

Q. Would you please summarize the Division's reasons for support of this Stipulation?

A. Yes. The Division supports this Stipulation for the following reasons:

(1) It allows the Company to eliminate the sections of its tariffs that reference the GSS rates and EAC charges including the ITS and IS-4

[3] This calculation assumes the Company collects the CET tariff allowed amount of $255.53 from a GS-1 customer count of 821,534 at current GS-1 rates. Current GSS rates were used for 7, 072 GSS customers. 1,606 EAC customers paid and additional $516,000 annually in EAC charges in addition to the normal GS-1 rates. The total of these three class equals 830,212 which is the actual January 2007 total GS-1, GSS and EAC customer count. It also assumes that the average annual usage for all classes of customers is 105 Dth which is the volume required so that the company collects exactly $212,144,072 in revenue which is 255.53 multiplied by 830,212.

rate schedules and to include within its tariff how future expansion will be handled for areas that currently do not have natural gas service.

(2) It provides rates that are consistent throughout Questar Gas's distribution system for similar customer classes, which removes any economic disadvantages that currently exists with in the State regarding natural gas rates.

(3) It eliminates the current incremental contribution above the average amount allowed per the CET tariff mechanism between the GSS rates/EAC charges and the GS-1 rates.

(4) This Stipulation provides for just and reasonable rates to the GS-1 rate class and it is in the public interest

Q. Does this conclude your testimony in support of the Stipulation?

A. Yes.