BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

REGARDING THE APPLICATION TO REMOVE GSS AND EAC RATES FROM QUESTAR GAS COMPANY'S TARIFF	Docket No. 06-057-T04

STIPULATION TESTIMONY OF GARY ROBINSON

FOR QUESTAR GAS COMPANY

March 14, 2007

QGC Exhibit S 1.0

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Q. Please state your name and business address.

A. My name is Gary L. Robinson. My business address is 180 East First South Street, Salt Lake City, Utah.

Q. Are you the same Gary L. Robinson that submitted rebuttal testimony in this docket?

A. Yes.

Q. Attached to your Stipulation testimony are Exhibits QGC S1.1 through S1.4. Were these prepared by you or under your direction?

A. Yes.

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

A. The purpose of my testimony is to state Questar Gas Company's (Company) position regarding the GSS/EAC Stipulation and to summarize the facts and arguments that support Commission approval of the GSS/EAC Stipulation.

COMPANY POSITION

Q. What is the Company's position regarding the GSS/EAC Stipulation?

A. The Company recommends that the Commission should approve the GSS/EAC Stipulation (Stipulation.). Exhibits QGC S1.1 and QGC S1.2 present all of the proposed tariff changes required by the Stipulation in legislative and proposed format.

GSS/EAC STIPULATION

Q. Will you please identify the parties that have signed the GSS/EAC Stipulation?

A. Yes. The Stipulation was agreed to and signed by the Company, the Division of Public Utilities (Division), the Committee of Consumer Services (Committee), Beaver County Economic Development, Emery County, Carbon County, the Economic Development Corporation of Utah, the Beaver County School District, Beaver Valley Hospital, Utah Small Cities, Inc., Town of Cedar Fort, Delta City, Panguitch City and Garfield County, Beaver County, Milford City, City of Enterprise, Beaver City, Town of Joseph and Fillmore City. These parties will be identified jointly as the Stipulating Parties.

Q. Will you please summarize the provisions of the GSS/EAC Stipulation?

A. Yes. The specific provisions included in the Stipulation are as follows:

1. The GSS, IS-4, ITS and EAC rate provisions will be removed from the Questar Gas Tariff (Tariff). In turn, the GSS customers will be transferred to the GS-1 rate. The IS-4 customers will be transferred to the I-4 rate and the ITS customers will be transferred to the IT rate. The EAC customers are already on the GS-1 rate and will not be billed the EAC charge in the future.
2. The portions of Section 9.02 of the Tariff relating to "Availability of Service to New Service Extension Areas," "Expiration Dates of Extension Area Rates" and "Extension Area Charge and Expiration Date" will be removed. Additionally, the Company has reviewed the entire tariff and removed all references to GSS and EAC rates. Exhibits QGC S1.1 and QGC S1.2 present the proposed tariff changes in legislative and proposed format that would remove these provisions.
3. In the future, communities or areas that are outside the Company's existing service territory will be provided service based on the main and service line extension policies identified in Sections 9.03 and 9.04. If a non-refundable contribution is required in order to extend natural gas service to new communities under the provisions of those sections, the contribution must be paid prior to the extension of service. This may require funding from third party sources.
4. After the GSS and EAC rates are eliminated, the Company will accrue into Account 191.8, the GSS Revenue Account, the estimated revenues from the customers in the GSS and EAC areas that the Company would have collected, over and above the GS-1 revenues. This will be done by identifying the customers in those areas, including future additional customers, and billing the usage from those customers at the GSS and EAC rates. These revenues will be compared with the actual revenues from these same customers under the GS-1 rates. The difference will be accrued into Account 191.8. This accrual will cease after a period of six years from the

effective date of the order approving the Stipulation or when new rates are implemented in the next Questar Gas general rate case, whichever comes first.

5. Interest will be calculated on the monthly balance in Account 191.8 at a 6% annual simple interest rate, or 0.5% monthly. This is the same rate approved for the Commodity Balancing Account.
6. The balance in the GSS Revenue Account may not be amortized in rates until after the 1-Year Review Period associated with the Conservation Enabling Tariff (CET) in Docket No. 05-057-T01. After the conclusion of the 1-Year Review Period, any party may request that the balance in the GSS Revenue Account be amortized and included in rates.
7. The entries and the balance in the GSS Revenue Account are subject to audit and review.
8. The Commission may approve a request to amortize the balance in the GSS Revenue Account outside a general rate case.
9. The Commission should issue an accounting order establishing the GSS Revenue Account as described in the GSS/EAC Stipulation.

ARGUMENTS FOR APPROVAL OF GSS/EAC STIPULATION

Q. Is the approval of the GSS/EAC Stipulation in the public interest?

A. Yes. In my Rebuttal testimony submitted on February 2, 2007, in this proceeding, page 5, lines 63 and 64, I summarized the core question before the Commission in this proceeding as follows: "**Is it in the public interest to have a single average natural gas rate throughout the state or continue to have areas with higher rates?**" After two years of analysis, meetings, hearings and arms length negotiations, the Stipulating Parties have agreed that the answer to this question is "**It is in the public interest to have a single average natural gas rate throughout the state by eliminating the GSS and EAC rates**."

The Stipulating Parties all agree that continuation of the GSS and EAC rates is no longer in the public interest and that these rates should be discontinued. The analysis and review of the issues in this docket have been ongoing since March 2005, when a letter was sent to the Commission from Beaver County asking that these rates be reviewed. This analysis has included technical conferences held by the Commission, working group discussions and task force meetings that were attended by the Company, the Division, the Committee, representatives of the rural communities, the Commission staff, Salt Lake Community Action Program, and other interested parties. The minutes and report of the task force are attached as Exhibit 1.1 of the Application in this docket. Through the course of these proceedings and because of the active participation of all parties involved, the Stipulating Parties have concluded that the mechanisms implemented during the 1990s and early 2000s to extend service to rural Utah communities have had unintended consequences and should now be discontinued. This conclusion was based on a determination that these expansion area rates are no longer just and reasonable for communities; these communities have paid longer than other expansion area communities; growth did not occur as originally projected and was not likely to occur in the future; and the cross-subsidization that may result is de minimis to existing customers. Furthermore, economic development in these areas, which would benefit all ratepayers in the state of Utah, has been hindered, and customers in economically disadvantaged areas of Questar Gas' service territory are saddled with higher natural gas bills than customers with similar usage in other areas of the service territory. In light of these findings, the Stipulating Parties have all agreed that it is in the interest of all ratepayers on the Questar Gas system to eliminate the GSS and EAC rates and defer the revenues that will not be collected into an account for amortization in rates at a later date.

Q. Have the GSS and EAC customers met their obligations?

A. In my Rebuttal Testimony, I pointed out that the customers in these areas did not individually contract with the Company or the Commission to pay the GSS or the EAC rates for any particular period of time or until any particular circumstances are reached. These customers or the communities as a whole did not sign a contract to continue to pay these higher rates. Their only obligation comes from proceedings before this commission where they received a higher cost allocation. In actuality, these customers have generally paid longer and more than customers in the Company's previous expansion areas. Furthermore, it was pointed out during the hearings on February 8, 2007 that the use of average rates for all GS-1 customers in Utah results in customers paying something different than their actual cost of service. The use of average rates has been the practice of Questar Gas and its predecessors since natural gas was first offered in Utah and is a common practice in utility ratemaking.

The adoption of the GSS and EAC rates by the Commission was in recognition of the fact that the cost per customer of extending service to these areas was greater than the average investment per customer on the system at that time. That is not unlike what happens with new customers everywhere on the Company's system. The required investment for new customers is generally higher than the average investment. To mitigate the impact on existing customers of this increased investment, new customers are required to pay a contribution in aid of construction (CIAC). This CIAC is not equal to the total amount of investment for these customers over the average investment but is a portion of the extra amount. The CIAC represents a balance between the interest of new customers and existing customers. The GSS and EAC rates also represented a balance between these interests. The communities in the GSS areas have paid for about 15 years of the 20-year-GSS term. Although the EAC customers have not been paying those charges for as long as the GSS customers, the EAC customers have paid, in dollar terms, a higher contribution amount toward their systems than the GSS customers. This is because the EAC charges are much higher per customer than the extra revenue paid through the GSS rates. The Stipulating Parties have agreed that the customers in these expansion areas, as a whole, have paid a sufficient portion of the required CIAC for those areas and the expansion rates should now be removed.

Q. What is the impact on customers from the approval and implementation of the GSS/EAC Stipulation?

A. Customers in the GSS and EAC areas will receive an immediate reduction in their rates and charges. However, until there is an amortization of the balance in the deferred account, there will be no impact on current GS-1 customers. The Stipulation proposes to eliminate the GSS and EAC provisions from the Company's Tariff and defer the revenues not collected, but does not propose to increase any rates.

Q. Does that mean that GS-1 rates will never go up as a result of the GSS/EAC Stipulation?

A. No. Exhibit QGC S1.3 is the Company's response to DPU Data Request 2.01. In this data request the Company has calculated the annual and monthly impact on current GS-1 customers, assuming everything remains constant. As can be seen on Page 2, Line 10, the average increase to all GS-1 customers, given this scenario, is estimated to be $0.156 per month.

Q. How would growth in the number of customers affect the estimated monthly increase shown in Exhibit QGC S1.3?

A. If customer growth in the GS-1 areas of the QGC service territory (Wasatch Front, Summit and Wasatch Counties and Washington County) exceeds the growth in the GSS and EAC areas (Beaver, Millard, Emery and Iron Counties), as it has for the last several years, the estimated increase per GS-1 customer would be lower than the $0.156 per month. If growth in the GSS and EAC areas increases such that these areas are growing at about the same percentage as the other GS-1 areas, the $0.156 per month would remain constant.

Q. Would the Company benefit from rapid growth in the GSS and EAC areas in the future as a result of the GSS/EAC Stipulation and the GSS Revenue deferral account?

A. No. The Company will only record and collect the revenue allowed by the Conservation Enabling Tariff (CET) mechanism. The CET became effective July 1, 2006. Since that time the revenues recorded by the Company have been governed by that mechanism. Exhibit QGC S1.4 is the Company's response to DPU Data Request 2.02. In the response to this data request the Company has provided a simplified example of the accounting entries required by the approval of the GSS/EAC Stipulation and with the CET. Page 3 of Exhibit QGC S1.4 is a table showing the calculation of the entries. Columns C, D, E and F of this Exhibit present a scenario in which everything remains constant. In this scenario the impact of the elimination of the GSS and EAC rates is $1,552, 267 (Column B, Line 11). This revenue shortfall is recorded in both the CET Account (Column C, Line 25) and in the GSS Revenue Account (Column E, Line 26). In order not to double count the deferral of this revenue shortfall, the amount entered into the GSS Revenue Account must be removed from the CET Account (Column D, Line 26). The end result is that the total balance in both accounts that will be amortized to customers in the future (Column D, Line 30) is always equal to the revenue shortfall calculated for the CET (Column F, Line 14). Under the CET, the Company is allowed only $255.53 per customer per year.

Columns G, H, I and J of the exhibit present a scenario in which growth is assumed in both the GS-1 and the GSS/EAC areas and that revenue per customer declines in both areas. The assumption for growth in the GS-1 areas is assumed to be 3% per year, (Column B, line 22) which is rapid growth, but about what we have been experiencing in those areas. The assumption for growth in the GSS/EAC areas is an exaggerated 50% (Column B, line 23) to illustrate the impact of growth in these areas. Using the same methodology as the previous scenario, the revenue shortfall for the CET Account is calculated as $3,785,903 (Column J, Line 14) and entered to the account in Column G, Line 25. The revenue shortfall associated with the GSS Revenue Account is calculated as $2,328,401 (Column J, Line 21). This increase from $1,552,267 in the previous scenario is the result of assuming 50% growth in customers. This amount is entered to the GSS Revenue Account on Column I, Line 26. In order not to double count the deferral of this revenue shortfall, this $2,328,401 must be removed from the CET Account (Column H, Line 26). Again, the end result is that the total balance in both accounts that will be amortized to customers in the future (Column H, Line 30) is always equal to the revenue shortfall calculated for the CET (Column J, Line 14).

Q. Does the GSS/EAC Stipulation address the IS-4 and ITS rate schedules?

A. Yes. The GSS/EAC Stipulation also proposes that these rate schedules be eliminated and the customers currently on those rates be transferred to the appropriate non-extension area rate schedules.

Q. What is the revenue impact of eliminating these rates?

A. The Division's MHB Exhibit 1.2 shows the calculation of the revenue impact. Column E, Line "I-4 Subtotal" shows the impact of eliminating the IS-4 customers and moving them to the I-4 rate is $154,539. Column E, Line "IT Subtotal" shows the impact of eliminating the IT-S customers and moving them to the IT rate schedule is $27,121. The total of these two amounts, which represents the reduced revenue to the Company from the elimination of these schedules is $181,660.

Q. Is any of the $181,660 going to be deferred under the provisions of the GSS/EAC Stipulation?

A. No. The $181,660 per year will be a revenue shortfall to the Company until the next general rate case.

CONCLUSION

Q. Please summarize the Company's position in this case?

A. Questar Gas recommends that the Commission approve the GSS/EAC Stipulation and the tariff changes included in Exhibits QGC S1.1 and S1.2. Some of the facts and arguments expressed during the proceedings in this case that support the position that the Commission should approve the Stipulation are listed below:

1. The customers in the GSS and EAC areas have paid more of a contribution toward the costs of expansion to their areas than any other of the Company's expansion areas.
2. Questar Gas has always used the concept of average rates throughout the Utah service territory for residential and small commercial customers. The use of average rates means that customers do not pay their actual costs of service, only the average. The use of expansion areas, with higher rates, is a deviation from the average rate concept that has had unintended consequences, such as creating artificial barriers to economic development in these rural areas, that make the continuation of these rates not in the public interest according to the Stipulating Parties.
3. The vast majority of the participants in this proceeding (the Stipulating Parties) have agreed that the Stipulation is in the public interest and results in just and reasonable rates.

4. The Task Force report of the Commission-established GSS/EAC recommended the elimination of the expansion area rates, including the GSS, EAC, IS-4 and IT-S rates. Although the Task Force recommended the immediate roll-in of these customers into the non-expansion area rate classes by increasing the rates in those rate schedules slightly, the Stipulating Parties have agreed that the revenue shortfall related to the GSS and EAC rate elimination should be deferred and amortized at a later date and that the revenue shortfall related to the IS-4 and IT-S rate schedules should not be deferred.
5. The Commission has the authority to approve the GSS/EAC Stipulation, which results in lower expected revenues for the Company, outside of a general rate case.
6. The CET provides a mechanism to offset either lower than normal revenues or higher than normal revenues flowing to the Company from increased or decreased growth in these areas.
7. The Commission anticipated in the original orders that created these expansion area rates that at some time in the future it may be necessary to reevaluate the expansion areas, analyze the assumptions made at the time of the expansion and the actual results of customer additions and usage. If the assumptions used in the original analysis did not materialize exactly, it was presupposed that a small cross subsidy may accrue to the other customers on the system when these rates were eliminated. It was assumed at the time that this cross subsidy would be minimal. In the view of the Stipulating Parties, the estimated monthly impact of $0.156 is indeed minimal.
8. The Commission has precedent, in the Supplemental Order in Case No. 7206, attached to my Rebuttal testimony as QGC Exhibit R1.3, for eliminating expansion area rates and deferring the revenue shortfall associated with that elimination into a 191 Account, just as has been agreed to in the GSS/EAC Stipulation.

Q. Does this conclude your testimony?

A. Yes.