BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION NON-GAS RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 07-057-13

REBUTTAL TESTIMONY OF

STEVEN R. BATESON

FOR

QUESTAR GAS COMPANY

September 22, 2008

QGC Exhibit 8.0R

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Steven R. Bateson. My business address is 180 East First South Street, Salt Lake City, Utah.

Q. Are you the same Steven R. Bateson that filed direct and updated direct testimony in this docket?

A. Yes, but my job title and responsibilities have changed. I am now employed by Questar Gas Company as a Regulatory Affairs Specialist.

Q. Have you updated your qualifications to reflect this change?

A. Yes. Attached is QGC Exhibit 8.1R containing my updated qualifications.

Q. Attached to your written testimony are QGC Exhibits 8.1R through 8.6R. Were these prepared by you or under your direction?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I will address some of the recommendations made by Utah Division of Public Utilities (DPU) witnesses Barrow and Gregory, Committee of Consumer Services (CCS) witnesses Orton and Dismukes, the Utah Association of Energy Users Intervention Group (UAE) witness Higgins and for the combined group of AARP, Salt Lake Community Action Program and Crossroads Urban Center (AARP/SLCAP) witness Johnson.

Q. Do these witnesses have issues in common?

A. Yes. I will structure my testimony by major issue first and by each specific witness' recommendation second. The primary issues raised by these witnesses that I will address are either cost allocation issues, including the Company's distribution plant study, the peak day factor and the weighting of various factors or rate design issues, including the appropriate level for basic service fees, declining block rates, and the related issues of

splitting commercial customers from the GS class and the winter/summer rate differential.

Q. In QGC Exhibit 7.1R, that is sponsored by Mr. Robinson, there is a list of issues that are being examined in the cost of service and rate design portion of this case. Will you please identify which of these issues you will be addressing?

A. Yes. I will address the following issues.

Issue #	Description
9	Distribution plant study included in Cost of Service study.
10	Proposals to allocate small diameter mains.
11	Proposals to allocate feeder lines.
12	Proposed changes to service line allocation.
13	Proposed changes to meter and regulator allocations.
14 &15	Proposed changes to peak day factor.
20	Use of cost curves in rate design.
21	Declining block rates.
22	Proposal to split the GS-1 class into residential (GSR) and commercial (GSC).
24	Basic service fees.
25	Winter/summer rate differentials.
26	Flat rates for industrial classes.

II. COST ALLOCATION

Q. Please describe the Company's distribution plant factor, and the issues raised by the other parties?

A. The distribution-plant factor is based on a detailed study of the distribution plant installed to serve customers. The components of distribution plant considered in this analysis are customer-specific metering and regulation, customer-specific service lines, and the small-diameter mains within the distribution system. The end result of the study is the assignment of plant to each customer class for the three plant categories included in the analysis. The distribution plant study assigns 100% of customer-specific meters and

service line investment and 63% of main (small diameter or intermediate high pressure (IHP)) investment.

Q. How is the remaining 37% of main (feeder lines and large diameter IHP) investment allocated to rate classes?

A. Approximately 16% is allocated on a commodity basis and 21% on peak responsibility.

Q. Have other parties raised issues with the way the Company conducted the distribution-plant study?

A. For the most part no. However, CCS witness Orton has suggested that the sample used to perform the analysis be modified to include 100% of non-GS meters. This issue corresponds to issue No. 9. The Company believes this would result in very little improvement to the accuracy of the sample, yet would increase the cost of performing the analysis substantially. Statistical sampling is used to obtain a desired level of accuracy for a reasonable level of cost. The Company is willing to include the entire population of industrial meters (IS and TS meters), along with the entire population of the largest meters (ratings of 16,000 cf and above) to supplement the random sample of residential and commercial customers. QGC Exhibit 8.2R provides an overview of the meters currently included in the distribution-plant study, and the meters the Company offers to add to the distribution-plant study when the study is updated. This combination of sampling and including the entire population of the largest meters and all industrial meters will provide an adequate level of precision to the distribution-plant study, and should allay any concerns that the study is not adequately measuring the plant investment associated with industrial customers.

Q. Are there other issues related to the distribution plant study?

A. Yes. Witnesses Dismukes and Gregory have suggested that the distribution-plant factors be watered down by decreasing their weight and substituting commodity-type allocation factors instead. These related issues are listed in QGC Exhibit 7.1R as issue Nos. 10, 12 and 13.

Q. Do you believe there is merit in this approach?

A. No. The distribution-plant factors are developed to account for the plant installed to serve individual customers. For instance, the meter and regulation factor accounts only for the investment in these types of customer-specific facilities. The cost associated with customer metering and regulation are based on the actual meter installed to serve a customer. There is no cost causation theory that can support using commodity through-put to allocate customer-specific metering and regulation. The same can be said for the service-line plant study. The service-line plant study accounts only for the investment in these customer-specific facilities. The cost associated with customer-specific service lines are based on the distance from the main to the meter location and the size of the service line. Again, there is no cost causation theory that can support using commodity throughput to allocate customer-specific service lines. The small-diameter-main plant study has some allocation diversity built-in from the start. This diversity results from the small-diameter-main plant study only accounting for 63% of distribution mains (small diameter IHP). The other 37% of distribution mains (feeder lines and large diameter IHP) are allocated using either commodity or demand allocation factors. The 63% of distribution mains accounted for by the small-diameter-main factor includes only the mains required to reach each individual customer. The portion of the distribution main network that is used to serve all customers is allocated based on a combination of commodity and peak.

Q. Do both Dr. Dismukes and Mr. Gregory propose to use the same commodity-type through-put factors?

A. No. Dr. Dismukes proposes to allocate each of the three plant factors with a weight of 75% on the Company's plant factor and 25% on commodity through-put, while Mr. Gregory proposes to allocate distribution mains 80% using the Company's main factor and 20% using his version of the blended peak and commodity allocation.

Q. What is the justification Dr. Dismukes provides for the use of commodity allocations for customer-specific facilities?

A. He justifies this approach based on the assertion that the purpose of these facilities is to distribute gas. In the case of customer-specific metering, regulation and service lines, the

plant study correlates the actual plant installed to serve each and every individual customer. There are no shared facilities. There is no need to allocate any of these costs to other customers. In the case of small-diameter mains, the Company's plant study excludes the mains that are considered shared facilities, specifically the costs associated with large-diameter mains and feeder mains. These two types of mains have been determined to serve a function beyond providing service to individual customers. The large diameter mains are clearly a shared facility, and have been allocated to all customers that receive service using these facilities by applying the distribution throughput factor. This factor includes only those quantities that are delivered using the IHP distribution system. Dr. Dismukes is advocating the use of a throughput factor that includes a significant quantity of gas that never touches the IHP system. No cost-causation theory can reasonably attribute responsibility for small diameter IHP mains to customers receiving absolutely no gas from the IHP system.

Q. Mr. Gregory is also proposing to modify the way small diameter mains are allocated. Does his proposed methodology have similar deficiencies?

A. Yes. Mr. Gregory has proposed to allocate 80% of small-diameter-main costs using the Company's small-diameter-main plant factor. The remaining 20% is then allocated using his blended peak and commodity allocation factor.

Q. Are there problems with this approach?

A. Yes. Most of the problems with Mr. Gregory's approach are similar to the problems with Dr. Dismukes' approach. In addition, the way Mr. Gregory constructed his peak allocation results in a factor that is related to peak requirements in name only. He has included interruptible loads that do not add anything to peak requirement. He has reduced the amount of peak responsibility attributable to firm sales customers by only using the amount attributable to them on the day of highest sendout in 2007 as opposed to the amount the system is designed to deliver under peak conditions. For firm transportation customers, he has included the entire peak responsibility for the class. He then blends in 20% commodity throughput. In summary, he has used coincident peak sendout for firm sales customers, non-coincident peak for interruptible customers, design

peak for firm transportation customers and commodity throughput for the entire system (as opposed to just the quantities that are delivered via the small-diameter mains). Combining these four very different approaches results in an allocation factor that may provide the results he desires, but cannot be said to improve the allocation of the costs in question. As described earlier, the Company's distribution plant study directly attributes responsibility for the 63% of mains allocated using the small-diameter-main factor. There is no reason to use a blended allocation to allocate a category of cost that has been directly attributed to responsible customers as a result of a rigorous study.

Q. Mr. Gregory also proposes to use the blend of his hybrid-peak factor with commodity throughput to allocate feeders, system compression, regulation and measurement (Issue Nos. 11, 14 and 15). Do you agree with this approach?

A. No. He has gone to great lengths to create a hybrid-peak factor, which he then blends with the commodity factor using a weighting that is considerably different than any other party. The end result of combining his hybrid-peak factor with the commodity throughput factor is almost identical to the Company's proposal to use 60% weighting for the peak-day factor and 40% weighting for the commodity throughput factor. This coincidence is not surprising since his hybrid-peak factor is essentially a commodity/peak blend which he then combines with a smaller percentage (than other witnesses) of commodity to end up with the same result as the Company's approach. QGC Exhibit 8.3R compares Mr. Gregory's 80/20 blended allocation with the Company's 60/40 blended allocation. As can be seen from an examination of this exhibit, there is very little net change by going through the theoretically-suspect steps that Mr. Gregory follows. The Commission should disregard Mr. Gregory's hybrid-peak factor and the blended allocation he has proposed.

Q. Dr. Dismukes and Mr. Higgins also propose to modify the percentage weighting for the blended peak/commodity allocation used to allocate feeders, system compression, measurement and regulation (Issue Nos. 10 and 11). Do you have any comment?

A. Yes, the Company believes this is the primary aspect of the cost study where judgment is not only desirable, but required. Costs related to facilities that perform a shared function for all customers are very difficult to attribute to individual customers, or for that matter, classes of customers. In recognition of this challenge, the Company has consistently proposed to allocate these costs on the basis of a blend between peak responsibility and commodity throughput. The Company's cost study proposed a weighting of 60% peak and 40% commodity. Mr. Higgins advocates 75% peak and 25% commodity, while Dr. Dismukes recommends 50% peak and 50% commodity. Mr. Higgins argues theoretical practice supports his weighting, while Dr. Dismukes argues his approach mirrors the Company's historical practice. The Company continues to believe its proposed weighting is preferable, but that the range of weightings being advocated by Mr. Higgins and Dr. Dismukes are within reason.

Q. Would you please summarize your thoughts regarding cost of service?

A. The Company has presented what it believes is a fair and unbiased cost allocation study. With the exception of Mr. Gregory's hybrid-peak factor, no one has challenged the Company's allocation factors. Dr. Dismukes and Mr. Gregory have advocated moving away from rigorous studies in favor of commodity allocations. For the reasons provided earlier these proposals should be rejected. After incorporation of the minor adjustments to the Company's filed position that Mr. Robinson has recommended, the Company's class cost study is a fair and reasonable approach to allocating the costs of operating the Company's Utah distribution system.

III. RATE DESIGN

Q. What issues have been raised regarding the Company's proposed rate design?

A. The two primary areas that I will address are the basic service fees or BSF (Issue No. 24) and the declining block rate design (Issue No. 21). Mr. Higgins has filed testimony that is generally supportive of the Company's proposals. DPU witnesses Barrow and Gregory, CCS witnesses Orton and Dismukes and SLCAP/AARP witness Johnson all raise issues related to the BSF and declining block rates or both.

Q. Are their comments similar?

A. Remarkably so. Each of these witnesses expresses an opinion that the BSF should remain unchanged. To put this in perspective, the witnesses recommend that the $5.00 BSF for smaller meters, which has remained unchanged for 26 years, would continue at this level into the future. Many of these witnesses also express an opinion on declining blocks and would like to see rates become flat. These two issues are interrelated.

Q. What reasons are provided for keeping the same BSF?

A. They range from citing past Commission practice to not wanting to alter the way revenues are collected so as not to disrupt the CET during the CET Pilot Program.

Q. Did you follow past Commission practice in calculating the BSF charges you proposed?

A. Yes. I provided three studies that were calibrated to arrive at the same result, $8.00 per month for the proposed Category II BSF. This category includes the vast majority of general service customers. Currently this category receives a $5.00 per month BSF charge. One of the three studies followed a methodology that reflects past Commission practice. The other two demonstrate that the same result can be reached with slightly different, but nevertheless valid approaches. I do not believe that studies of this type should be relied upon solely to arrive at a decision on the level of BSF charges.

Q. What should the Commission use to gauge the proper level of BSF charges?

A. As I noted in my direct testimony, cost curves provide the best guidance for designing rates. Cost curves provide a tool that show how costs behave over the relevant range of usage for customers served in a given rate class. Cost curves allow the rate designer to balance up-front charges with declining block rates to achieve a matching of cost causation with revenue recovery from individual customers. Cost curves are an essential tool for cost-based rate design.

Q. Have any of the witnesses raised concerns regarding the cost curves (Issue No. 20)?

A. Only SLCAP/AARP witness Johnson. He believes incorrectly that:

> "[T]he 'cost curves' do not represent the cost of providing service for customers and most certainly are no proper justification for setting rates." Johnson at page 12, lines 4-6.

Later Dr. Johnson goes on to say:

> "Mr. Robinson has presented what he refers to as 'cost curves,' but has not described them fully in his testimony. The rate design approach based on this accepts as given that all (or most) of the cost designated as fixed are to be recovered through a fixed customer charge. The curves associated with this approach are simply a graph of the variable cost plus the fixed cost divided by the amount of usage plotted against the amount of usage." Johnson at page 15, lines 1-5.

Unfortunately, Dr. Johnson apparently does not understand how the Company's cost curves are developed or used. Further, he indicates that although rates were based on these kinds of calculations 40–50 years ago, they are totally inappropriate today. I believe he is incorrect in his characterization of the cost curves and his beliefs regarding their pertinence to rate design.

Q. How are the Company's cost curves developed?

A. As Mr. Robinson described in his Direct Testimony, the first step is to categorize the components of the COS into the functional categories of customer, network, throughput, and demand. The next step involves developing an equation that incorporates these cost categories over the continuum of usage for each rate schedule. Over very short ranges of usage the cost curves resemble a straight line. Over broad ranges of usage the behavior of costs can be seen to increase with use, but at a decreasing rate.

Q. Dr. Johnson does not appear to believe cost curves have any relevance to rate design. Do you agree?

A. Absolutely not. Cost curves provide the guidance necessary to balance the revenue recovered via up-front charges and each of the blocks within a rate design. Cost curves provide invaluable information on the behavior of costs for a rate class over the pertinent

range of use for that class. Attached is QGC Exhibit 8.4R which demonstrates for the GS rate class how the costs for customers of varying size relate to the Company's cost curve. This study was prepared by separating the GS class into usage-defined sub-categories. I have included the sub-categories suggested by Dr. Dismukes (peak-month use of 100 Dth) and Mr. Gregory (peak-month use of 300 Dth), as well as six other smaller sub-categories. For each of these eight usage-defined sub-categories I have developed the data required to perform the COS study. The results of this COS study are shown on page 1 of QGC Exhibit 8.4R. These results show that as customers use more gas, the cost to serve those customers increases (COS/Customer). These results also show that the unit cost to serve customers decreases as size of customer increases (COS/Dth). Page 2 of QGC Exhibit 8.4R is a graph that shows the cost of service results superimposed on the GS cost curve.

Q. Dr. Johnson argues that the Company is requesting an inappropriate increase to the BSF charges. Is he correct?

A. No. The magnitude of the increase is a direct result of these fees being excluded from rate changes for over 25 years. The increase is long over due, and as a result, the increase requested is larger than would otherwise have been required.

Q. Could the Company design usage-defined class rates from this cost study, as advocated by Dr. Dismukes, Mr. Gregory and Dr. Johnson?

A. Yes, but I would urge caution in moving in this direction. These witnesses are correct when they observe that segregating customers into size-defined classes would allow for calculation of separate cost studies, and resulting rates. Further they are correct when they say that a flat rate design could be adopted (if enough size categories are defined). Unfortunately, however, there are very real unintended consequences from this type of rate design.

Q. Please describe the unintended consequences to which you refer.

A. By placing customers in rate class silos (defined by some measure of usage), a significant number of customers will always be just barely above or below each class limit. If this approach were to be adopted and rates were designed based on cost, customers just shy of

qualifying for the next larger usage category would be able to lower their bills by increasing their use. Conversely a customer that barely qualifies for a larger category would face an increase in cost by reducing use. In addition, customers that use gas only for space heat would tend to qualify for a lower rate than their load factor would otherwise justify. The administrative burden required to monitor and re-contract with thousands of customers each year would be onerous. Roughly speaking approximately half of the customers switched each year would face a material increase in rates (because their use decreased), conversely the other half would face a large decrease (because their use increased). This step-type rate design was once common, but due to the problems just described, has become virtually obsolete.

Q. Does the Company have circumstances in its current or proposed rate class offerings where similar problems occur?

A. Yes. The existing F-1 rate class (proposed FS class) currently requires customers to have both a minimum load factor and a minimum level of use to qualify. Even with the two criteria, there are hundreds of customers that are close to either qualifying, or being disqualified from the rate each year. Unfortunately because the GS rate class has a severe cross subsidy built-in as a result of the BSF not being adjusted for over 25 years, and the loading of the customer related costs excessively in the tail block, there is a very large difference between the F-1 and GS-1 rates. With an improved GSC rate design, and the eventual elimination of the gradualism adjustment, this large disparity should go away.

Q. Does the Company's proposed rate design track costs and avoid the problems you have discussed caused by a discontinuous step-type rate?

A. Yes. The Company's rate design allows for tracking costs to the individual customer through the use of three simple rate design mechanisms. First, the Company uses graduated customer charges (BSF) to recover approximately one-half of customer cost. Second, the Company uses declining block rates to recover the balance of customer costs from the responsible customers. Third, the Company uses the winter/summer differential to track demand related cost causation to customers with varying load factors.

Q. How does the Company's proposed winter/summer rate differential track demand related cost causation to individual customers (Issue No. 25)?

A. The amount collected in the winter months is slightly exaggerated, with a corresponding reduction in summer collection. This combination results in low load factor customers paying a larger share of demand related costs as a result of their high winter use relative to their summer use. Conversely, high load factor customers will pay less towards demand costs when their annual use pattern is considered. A study prepared in response to a CCS data request presented by the Company at the Cost Allocation and Rate Design Technical Conference held in this docket on July 1, 2008 demonstrated, for a variety of customers, the relationship between cost causation and cost recovery. QGC Exhibit 8.5R contains a copy of the Company's response to CCS data request 26.09.

Q. Do you think there is a better way than the tax code to separate the residential and commercial customers in the GS-1 rate class (Issue No. 22)?

A. No. The proposed split based on tax code isolates the more homogenous residential customers from the more diverse commercial customers. This allows for a simplification of the residential rate design. The commercial class requires a slightly more sophisticated design in recognition of the broad range in customer use. The declining block rates proposed for the commercial class are required to avoid undue discrimination. I fully support Mr. Robinson's approach to splitting the GS rate class.

Q. Dr. Johnson argues that the rate design should be a pricing issue not a cost issue. Do you agree?

A. No, as Dr. Bonbright points out in his seminal work, The Principles of Public Utility Rates, "…the most widely accepted measure of reasonable public utility rates and rate relationships is cost of service." (Bonbright, First Edition, at p 294). I agree wholeheartedly with Dr. Bonbright's assessment. The importance of the many other considerations may wax and wane, but cost to serve must always be considered preeminent. Dr. Johnson, along with Dr. Dismukes and Mr. Gregory argue in various ways that the current emphasis on energy efficiency is hindered by declining block rates and appropriate BSF charges. I couldn't disagree more adamantly. The customer-portion

of distribution non-gas cost does not change due to reduction in use. Sending a contrary signal to the customers is misleading since that signal must be undone the next time rates are set. The real savings from energy efficiency is through reduced purchase of the commodity itself. This savings dwarfs the minor differences found in the Company's rates as a result of cost tracking features such as the BSF, declining block rates and the winter/summer differential.

Q. What is the real savings for each Dth conserved?

A. The current forward curves indicate market pricing of approximately $7.50/Dth for purchased gas. This is the real amount the Company is able to save when a Dth is conserved. If the commercial GS rate design were completely flattened, the change in DNG rates would be +/- $0.55/Dth. Keeping the BSF charges the same, as other parties have advocated, would result in an extra $0.0158/Dth in commercial DNG rates. Combined, this amounts to approximately $0.57/Dth. For the residential class the block rates are already flat, and the impact of the proposed change in BSF charges is $0.38/Dth. These amounts are insignificant when compared to the amount of savings a customer sees through reduction in usage. In the short run the customer will benefit from savings that are approximately 10 to 15 times the amount of DNG differences caused by rate design. The real savings that all customers enjoy is almost double that again. Furthermore, the gas cost savings are real, and permanent. The customer-aspect of DNG savings are not real and are temporary since those costs do not change just because a customer reduces usage.

Q. Why do you say the customer-aspect of DNG costs do not change when a customer reduces usage?

A. The types of facilities and operating expenses categorized as "customer related" include the meter and regulator serving the customer, the service line serving the customer, the IHP main in front of the customer's property and the monthly costs to read meters and send out bills. The facilities mentioned are installed to serve the customer, and do not change in any way when an individual customer reduces usage. The costs associated

with these facilities will be allocated to the same customer in the next COS study. The cost to bill customers does not change as a result of changes in customer use.

Q. Dr. Dismukes, Mr. Orton and Mr. Gregory each suggest that the industrial rate designs be modified by flattening the block rates (Issue No. 21). Do you think their points are valid?

A. No. The competing principles of rate design can be emphasized differently by different experts. The principles relied upon to justify flat rates do not trump cost of service principles. As I have discussed, declining block rates are required in order to recover the appropriate level of costs from the customers that cause the costs. The BSF charges collect approximately 50% of customer costs. The balance of the customer costs are collected through the blocks. Flat rates result in collecting far too much from the larger customers, and not enough from the smaller customers. Mr. Gregory says that an important goal is to give customers control over their bills and encourage energy efficiency. The Company's rate design does precisely that, but in a sustainable manner.

Q. Mr. Orton asks the Commission to clarify its priorities and provide additional guidance that declining block rates are not appropriate. What do you recommend?

A. The Commission should do just the opposite. Mr. Orton believes that declining block rates are synonymous with quantity discounts. To the extent quantity discounts are cost justified, quantity discounts are appropriate. The Company's rate designs already recover most costs from customers on a commodity basis for each Dth consumed. As I have discussed, customer-related costs are recovered 50% through BSF and 50% through block rates. **This approach is in recognition of the fact that customer costs do not increase uniformly as use increases.** Small customers require a small investment, but the cost spread over the Dth consumed is relatively high. Very large customers require a very large investment, but the cost per Dth is relatively low. **This pattern results from the simple fact that costs do not increase in proportion to use.** To institutionalize rates that ignore this simple fact would be misguided. I urge the Commission to find that properly designed declining block rates are appropriate.

Q. Dr. Dismukes recommends that the GSC class should have flat rates. Do you have any additional thoughts regarding his proposal?

A. His rationale is that flat rates will help encourage conservation. But as I have shown, flat rates may in fact have the opposite affect. Flat rates will send an inaccurate price signal. In addition, the increased price signal seen by some customers will be offset by a decreased price signal seen by others. Flat rates will not improve the overall customer decision making process.

Q. Mr. Barrow argues that the BSF should remain unchanged from current rates until the CET is fully evaluated at the end of the CET pilot period. Mr. Barrow also implies that there is no need for any type of fixed fees for rate schedules that have a decoupling mechanism (Issue No. 24). Do you agree?

A. No. Revenue stability is just one of the outcomes of fixed charges. With proper design, fixed charges can also provide good cost tracking. The Company is not proposing an increase in the BSF charges to promote revenue stability. The Company proposes to modify BSF charges to more closely reflect cost causation. Specifically, the Company is proposing the addition of a new class of BSF that will apply to apartments. This BSF is proposed to carry a monthly charge of $6.00. The capacity ranges for the other BSF categories have been refined to better reflect cost characteristics. These changes to the structure of the BSF charges represent a desirable refinement to this rate design component.

With regard to the desirability of keeping fixed charges unchanged during the CET pilot program, I disagree totally. BSF charges have been excluded from changes in rates for over 25 years. These charges need to be updated periodically to fairly reflect the cost to serve customers. Good rate design is complementary to the operation of the CET. Good rate design requires a balance between fixed and variable charges in order to properly reflect individual customer cost causation. The Company's proposed rate design achieves this balance. In addition the Commission should take note of the fixed charges approved in other jurisdictions.

Q. Has the Company provided information comparing the fixed charges approved in other jurisdictions?

A. Yes. In response to a CCS data request the Company provided information of this nature. Attached as QGC Exhibit 8.6R is an excerpt of the information provided in response to CCS request 9.18. This information shows that the Company's BSF that applies to the vast majority of customers is at the bottom end of similar charges in other jurisdictions.

Q. Dr. Dismukes claims that "smaller and less economically advantaged customers, who can have lower total usage, pay the same amount as larger and typically more affluent customers." Do you agree?

A. No. I believe Dr. Dismukes' claim reflects a persistent fallacy because it assumes that smaller users are less economically advantaged than larger users.

Q. Have you examined who the smaller and larger customers actually are?

A. Yes. What I have found is that customers using the smallest amount of gas are usually customers that are not using gas service actively. In some cases the property is vacant but gas service is left on; in other cases the property is temporarily unoccupied. The former occurs frequently with commercial locations that are between tenants and residential properties held in estates, the later frequently occurs with second homes. The other group of small users is composed of customers that heat with a fuel other than natural gas, typically wood or electricity.

The largest single category of customers in the high use range are government entities. Government entities represent 43% of the largest 200 users on the GS rate. The balance of the large GS customers are split between small businesses, small industrial facilities and large residential complexes. I do not believe it is appropriate for the Commission to adopt rates that subsidize vacant properties, second homes and customers heating with wood and/or electricity by increasing rates charged to tax-funded government entities and small businesses and industrial facilities.

Q. Does that conclude your rebuttal testimony?

A. Yes it does.

State of Utah)
) ss.
County of Salt Lake)

I, Steven R. Bateson, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

_____
Steven R. Bateson

SUBSCRIBED AND SWORN TO this 22nd day of September 2008.

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Notary Public