BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

REBUTTAL TESTIMONY OF GARY L. ROBINSON

FOR QUESTAR GAS COMPANY

September 22, 2008

QGC Exhibit 7.0R

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Gary L. Robinson. I am testifying on behalf of Questar Gas Company (QGC or Company). My business address is 180 East First South Street, Salt Lake City, Utah.

Q. Have you previously filed testimony in this case?

A. Yes. I filed direct testimony is this case as QGC Exhibit 7.0.

Q. Attached to your written testimony are QGC Exhibits 7.1R through 7.9R. Were these prepared by you or under your direction?

A. Yes.

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

A. I am addressing some of the positions of the Division of Public Utilities (DPU), the Committee of Consumer Services (CCS), the Utah Association of Energy Users Intervention Group (UAE) and the combined group of AARP, Salt Lake Community Action Program and Crossroads Urban Center (AARP/SLCAP) that were included in their testimony filed in this case on August 18, 2008.

Q. Have you prepared an exhibit that summarizes the cost of service, rate design and Tariff issues that have been brought up in this case?

A. Yes. QGC Exhibit 7.1R provides a brief description of the issues brought up in this case. The issues are numbered from 1 to 32 in Column A. In Column B, the issues are categorized by type into three categories: 1) Cost of Service (COS), 2) Rate Design (RD and 3) Tariff (TRF). In Columns D to H, there is a brief description of each party's position on the issue and a reference to the witness and the location in the testimony where the issue is discussed.

Q. What issues will you be addressing?

A. I will be addressing the following issues that are listed in QGC Exhibit 7.1R.

Issue #	Description
3	Rate classes included in Cost of Service.
4	Proposed change to EAC interest rate.
5	Proposed change to GSS interest rate.
6	Proposed change to NGV Rate.
7	Proposed changes to main extension policy.
8	Proposed task force to address low income issues.
16	Proposal to remove the allocation factor to reflect the value of TS and IS peaking gas.
17	Proposal to change the allocation methodology for revenue credits.
18	Proposal to change the allocation methodology for CIAC.
19	Proposal to change the allocation methodology for A&G expenses.
22	Proposal to split the GS-1 class into residential (GSR) and commercial (GSC).
23	Gradualism adjustment proposals.
26	TS rate design.
29	Tariff provisions regarding transportation customers and firm sales service.

The remaining issues will be addressed by Mr. Bateson, Mr. Bakker or Ms. Tina M. Faust as identified in QGC Exhibit 7.1R, Column D.

II. COST OF SERVICE STUDY

Q. In your direct testimony, you discussed the Allocation and Rate-Design Task Force (Task Force) established in the Report and Order in Docket No. 02-057-02 (2002 Order). Did the parties in this case propose adjustments to the cost of service (COS) model that was presented during the Task Force and proposed in your direct testimony?

A. Yes, to a degree. However the basic structure of the model and most of the allocation factors used during the Task Force meetings and in the direct filing in this case were accepted by all parties in the Task Force and are not challenged by the parties in this case. This is one of the positive outcomes of the Task Force since the use of the same model allows the parties in this case to discuss the issues raised in this case based on the underlying principles and theories of the various adjustments without argument over the calculation of the adjustment amounts. There are issues with regard to what customer classes to include in the COS and the calculation and use of some of the allocation

factors. These changes are at the root of the differences between the parties in this case with regard to cost of service. I will address some of the proposed changes as outlined below, and Mr. Bateson will address the remaining proposals in his rebuttal testimony.

Q. Do you have an exhibit that summarizes the COS study that includes changes to allocation factors as explained in Mr. Bateson's testimony and the gradualism adjustments that you have agreed to?

A. Yes. QGC Exhibit 7.2R is a summary of the COS study with all the changes agreed to by the Company at this point. This exhibit is an update of QGC Exhibit 7.4 that was attached to my direct testimony.

Q. Have you calculated new CET allowed revenue per customer amounts for the GSR and GSC rate schedules?

A. Yes. In QGC Exhibit 7.2R, page 2, columns C and D, show the calculation of the proposed allowed revenue per customer that will be used in the CET calculations for the GSR and the GSC rate schedules. These values include all the changes to allocation factors, as well as the gradualism adjustments, agreed to by the Company.

Q. Have you calculated the spread of the CET allowed revenue per customer amounts to months?

A. Yes. QGC Exhibit 7.3R shows the calculation of the monthly spreads of the allowed revenue per customer amounts calculated in QGC Exhibit 7.2R. Page 1 of the exhibit is the spread of the GSR allowed revenue per customer. Page 2 of the exhibit is the spread of the GSC allowed revenue per customer. QGC Exhibit 7.3R is an update of QGC Exhibit 1.4, page 2 and QGC Exhibit 1.5, page 2, that were attached to Mr. McKay's direct testimony in this case.

Q. The DPU and CCS have criticized the Company COS study because a comparison was not made with a COS study for existing rate classes. Will you please comment on this issue?

A. The Company has proposed changes to the rate schedules in the Questar Gas Company Utah Tariff (Tariff) as outlined in Table 1 of my original testimony and as shown below. Most of the changes shown in the table are simply renaming the rate schedules. There

are only two changes that are significant, 1) the GS-1 class is split into a residential class (GSR) and a commercial class (GSC), and 2) interruptible and firm transportation service is combined into a single TS rate class. This latter change also resulted in the elimination of the F-3 and F-4 rate schedules.

Table 1
Rate Schedules in Questar Gas Company Utah Tariff

Current	Proposed
GS-1 (General Service #1)	**GSR** (General Service Residential)
	GSC (General Service Commercial)
GSS (General Service South)	**GSE** (General Service Expansion)
F-1 (Firm Service #1)	**FS** (Firm Service)
F-3 (Firm Service #3)	Eliminated
F-4 (Firm Service #4)	Eliminated
NGV (Natural Gas Vehicles)	**NGV** (Natural Gas Vehicles)
I-4 (Interruptible Sales #4)	**IS** (Interruptible Service)
IS-4 (Interruptible South Sales #4)	**ISE** (Interruptible Service Expansion)
MT (Municipal Transportation)	**MT** (Municipal Transportation)
FT-1 (Firm Transportation #1)	**FT** (Firm Transportation)
FT-2 (Firm Transportation #2)	**TS** (Transportation Service)
IT (Interruptible Transportation)	
IT-S (Interruptible Transportation South)	**TSE** (Transportation Service)
E-1 (Emergency #1)	**ES** (Emergency Service)
T-1 (Temporary #1)	Eliminated

Q. Has the Company prepared an exhibit that compares the proposed COS study with one in which the GS-1 class is not split out and the FT-2 and the IT are not combined into the TS class?

A. Yes. A summary of this comparison is shown in QGC Exhibit 7.4R. Lines 1 to 8 of the exhibit present the COS summary as proposed by the Company. Lines 9 to 16 present the COS summary with the GS-1 and GSS combined and with the FT-2 and the IT customers separated. To make the comparisons meaningful, I compared the calculated

cost of service for the various rate schedules in both scenarios before including any gradualism adjustments.

Q. How did you calculate the GS class cost of service?

A. To calculate the cost of service for the current GS class, the Company added the cost of service for the GSR and the GSC classes together.

Q. How did you calculate the F-1 class cost of service?

A. The cost of service for the current F-1 rate schedule is shown in the COS study as the FS class since this was only a name change.

Q. How did you calculate the I-4 class cost of service?

A. The cost of service for the current I-4 class is shown in the COS study as the IS class since this was only a name change.

Q. How did you calculate the TS class cost of service?

A. The Company's proposal also combines the transportation customers, other than the FT-1 customers, into the TS rate schedule. In order to calculate the cost of service for the FT-2 and the IT schedules, the various allocation factors used in the COS study were restated with factors for the FT-2 and the IT schedules. In total, the cost of service did not change and the total of the FT-2 and the IT equal the proposed TS cost of service.

Q. Are the FT-2 and the IT similar types of customers?

A. Yes. They are large customers that arrange to purchase their gas supplies and deliver them to the Questar Gas system for transport to their facilities. In fact 12 of the 29 FT-2 customers (41%) are also IT customers that have determined that they need a portion of their transportation service on a firm basis. The remaining FT-2 customers require all of their service to be firm. Both of these customer groups are served using similar amounts of plant. As can be seen on QGC Exhibit 7.4R, page 1, line 16, columns F and G, the FT-2 and the IT classes reflect similar percentage increases needed to get them both to total cost of service (59.09% and 61.21% respectively). This validates the assertion stated above that the customers in these two rate schedules are very similar. In the Company's proposal, the two classes are combined and the cost of service for interruptible

transportation and firm transportation are calculated separately. The interruptible cost of service is recovered through the block rates of the TS schedule. The firm cost of service is recovered through the demand charge of the TS schedule. In the current rate schedules, the interruptible cost of service is recovered through block rates of the IT rate schedule and the firm cost of service is recovered through the incremental difference between the FT-2 block rates and the IT block rates.

Q. Where are the F-3 and the F-4 customers in lines 9 to 16 of QGC Exhibit 7.4R?

A. The costs associated with these two classes are included in the FT-2 amounts (Column F). The current F-3 rate schedule is a firm standby rate in which customers can purchase a given amount of firm service in addition to their interruptible service. This is similar to the proposed TS demand charge. The F-4 rate schedule only has one customer. This customer is an IT customer that is using the F-4 rate schedule to obtain a level of firm service rather than use the FT-2 rate schedule for that purpose.

Q. Where are the NGV and the MT customers in lines 9 to 16 of QGC Exhibit 7.4R?

A. The costs related to the NGV and MT customers are spread over all the classes in both of the scenarios presented in the exhibit. The NGV rate schedule was originally designed using a levelized cost of service in order to provide incentives for development of the NGV market. Since that time this rate has been increased on a percentage basis, which has resulted in the current rate being less than full cost of service. The NGV rate is discussed later in my testimony.

The MT rate schedule was designed specifically for the one municipal transportation customer on the QGC system.

Q. Where is the FT-1 rate schedule in lines 9 to 16 of QGC Exhibit 7.4R?

A. The FT-1 rate schedule is not cost based, as I will explain in more detail below.

Q. Can a comparison be made between the COS study with existing rate schedules and the COS study with proposed rate schedules?

A. Yes. QGC Exhibit 7.4R provides a COS on the basis of existing rate classes not including the FT-1 rate schedule and making the aforementioned assumptions.

Q. Have you calculated rates that represent the Company's rebuttal position?

A. Yes. QGC Exhibit 7.5R presents the proposed rates by rate schedule and compares them to the rates in effect prior to the percentage increase ordered in this case. This exhibit is an update of QGC Exhibit 7.5 that was attached to my direct testimony.

Q. Have you made a comparison of customers' bills under the current rate class structure and the proposed rate classes?

A. Yes. QGC Exhibit 7.6R shows the results of that analysis. As a point of reference, a range of customers in the GS-1 (GSR & GSC), GSS, F-1 (FS), I-4 (IS), IS-4 (IS), IT (TS) and FT-2 (TS) rate schedules have been billed at various rates. Columns A and B show the relevant current and proposed rate schedules and columns C and D show the Dth usage by customer in each rate class billed. These typical customers are billed at rates effective July 1, 2008 (prior to the percentage increase in this case, see column E), at rates effective August 15, 2008 (including the percentage increase, see column F), and at the proposed rates shown in QGC Exhibit 7.5R (see columns G & H). The percentage increase was then calculated for each typical customer from the July 1, 2008 rates to the August 15, 2008 rates (see column H), from the July 1, 2008 rates to the proposed rates (see column I), and from the August 15, 2008 rates to the proposed rates (see column J). This exhibit analyzes the impact of all of the proposed rate changes on various customers of different sizes and in all the rate schedules. The proposed changes include changes in block rates, basic service fees (BSF), transportation administration fees (Admin Fees), and the combination of all transportation customers into the TS schedule with the addition of a demand charge. For transportation customers a combined commodity and supplier non-gas (SNG) rate of $6.80 has been used in order to calculate the effect of the proposed rate changes on the total bills of these customers. For all sales customers, the current commodity and SNG rates are included in the calculation of total charges.

Rate Classes Included In Cost of Service Study (Issue No. 3)

Q. Dr. Dismukes and Mr. Gregory have criticized the Company's proposed COS study because the FT-1 rate schedule was not included. Was this issue discussed in the Task Force?

A. Yes. The Task Force spent a significant amount of time during the meetings to discuss the format and scope of the COS study. A model was distributed to the Task Force that had the same format and scope as presented by the Company in this case. Throughout the Task Force the FT-1 class was identified as a rate schedule in the model, but was never included in COS study.

Q. Why was the FT-1 rate class not included in the COS study?

A. This rate schedule was established in Docket No. 99-057-20 as a discounted rate to keep large industrial customers that are close to an interstate pipeline from bypassing the Questar Gas system. The theory is that it is better to have these customers on the system and making a contribution, even if it is less than cost of service, than for these customers to leave the system entirely. For this reason the FT-1 rate class was not included in the COS study and the revenues from that class were credited back to all other customers that were included in the COS study.

Q. Does the Company propose to include the FT-1 in the COS study in this case?

A. No. Because the Company did not intend to include the FT-1 class in the COS study, the allocation factors necessary to include it were not developed. At this point in the case, it would not be practical to include the FT-1 class in the COS study because such a change would require the Company to reconstruct the study from the beginning.

Q. The DPU and the CCS have proposed that the FT-1 be included separately in the COS filed in the next rate case. Is this an acceptable option for the Company?

A. Yes. If the Commission agrees with the DPU and CCS, the Company will separately allocate costs to the FT-1 class in the COS study filed in the next general rate case by creating the allocation factors from the beginning of the analysis that include the FT-1 schedule.

Split of GS-1 Class into Residential (GSR) and Commercial (GSC) Classes (Issue No. 22)

Q. Why did the Company propose to split the GS-1 class into the GSR and GSC classes?

A. Whether to split the GS-1 class was the topic of more than one of the Task Force meetings. While there was a general consensus in the Task Force that the Company

should prepare a COS study with the two customer groups split out, there was no agreement by the parties as to the method of splitting the class. The Company proposed in this case to use the residential/commercial tax code, which is an identifier for every GS-1 customer in the Company's billing system.

Q. Did the Company consider an alternative method of splitting the class?

A. Yes. Two primary methods, other than the tax code, were considered: 1) load factor, and 2) size.

Q. Why didn't the Company split the GS-1 class based on load factor?

A. An analysis of the load factors of the GS-1 residential and commercial customer groups showed that there was not a significant difference in the load factors of the groups as a whole.

Q. Why didn't the Company split the GS-1 class based on size?

A. The Company has traditionally used declining block rates to reflect the declining cost per Dth for larger customers in relation to smaller customers. This does not mean that the larger customers have lower overall costs, or that the revenue from these customers is less than that of smaller customers. Quite the contrary, larger customers always pay more with the use of declining block rates, but since the fixed portion of costs is spread over higher volumes, the cost per Dth caused by a larger customer is less than the cost per Dth caused by a relatively smaller customer. The theory behind the use of declining block rates has nothing to do with incentives for customers to use more at the lower block rates and everything to do with reflecting the costs per Dth of larger versus smaller customers and designing rates per Dth that are cost based.

Q. How did the Company address the fact that small commercial customers have similar usage patterns and load factors as small residential customers?

A. To reflect the fact that these two customer groups are very similar in nature, the Company has proposed that the first block of the GSC rate be equal to the flat rate of the GSR rate schedule. These two customer groups, that almost always use less than 45 Dth in a month (the break point between the first and second blocks of the proposed GSC rate schedule), will be billed exactly the same.

Q. Are there other issues related to declining block rates?

A. Yes. Mr. Bateson will address these issues in greater detail in his rebuttal testimony.

Allocation Factor Change Proposals (Issue Nos. 16, 17, 18, and 19)

Q. The DPU has proposed to remove from the COS study the "TS, IS Value of Gas Purchased" allocation factor. This factor imputes a value to the interruptible sales and transportation customers of having the gas purchased to serve these customers available to the Company on the peak day to serve the firm sales customers. Does the Company agree with this proposal?

A. No. This issue was fully vetted in the Task Force. It was one of the few issues for which agreement was reached. The QGC COS & Rate Design Task Force Report issued by the DPU on June 17, 2004, states as follows:

> After a presentation by both the Company and Industrial representatives and following extensive discussion it was *generally agreed* that the value of the peaking gas made available during interruptions should be recognized in the CCOS [Class Cost of Service] and a provision to do so was incorporated in the QGC CCOS model. However, the Company, Committee and Industrials had different valuation methods and ideas. (Emphasis added.)

Despite this recommendation in the report, the DPU now recommends removing this factor from the COS study. The Company continues to stand by the recommendation of the Task Force report and notes that the calculation of the value of this gas, as proposed by the Company, has not been rebutted in this case.

Q. The CCS and UAE have both proposed to change the allocation factor used to allocate the revenues from the classes not included in the COS among the rate schedules that are included. (Issue No. 17) Does the Company agree with these proposals?

A. No. The CCS has proposed to use an allocation factor based on the total cost of service by rate schedule to allocate the revenues from the NGV, FT-1, MT and FT-2C customers. The UAE has proposed to use the allocation factor used to allocate the feeder line plant to allocate the revenues from the FT-1 class. In theory, the allocation of the revenues should follow the cost causation for those

customers. Although these classes weren't separated specifically in the COS, the costs associated with those classes are included in the total costs. For example, the costs associated with the GSS customers are included in the costs that have been allocated to the GSR and GSC classes in the COS. For this reason the revenues from the GSS class have been allocated only to the GSR and GSC classes, based on their relative DNG revenue. The costs associated with the FT-1, FT-2C and the MT customers are allocated to all other classes through the plant allocation factors. For this reason, the Company stands by its original proposal to allocate the revenues from these customers, including the NGV customers, on the relative DNG revenue of the rate classes in the COS. We do not agree that the allocation factors proposed by the CCS and the UAE are the appropriate factors.

Q. The CCS has proposed to change the allocation factor used to allocate the contributions in aid of construction (CIAC). (Issue No. 18) Does the Company agree with these proposals?

A. Yes. The Company agrees with the Committee's proposal and has reflected that change in the COS study.

Q. The CCS has proposed a change to the allocation factor used to allocate the A&G expenses in the COS from the Company proposed factor based on gross plant per class to one based on 75% O&M expenses and 25% distribution throughput. (Issue No. 19) Does the Company agree with these proposals?

A. No. The Company continues to support the use of Gross Plant as an allocation factor for A&G expenses. This is the allocation factor that has traditionally been used to allocate these expenses as well as the general plant in the QGC distribution system.

Q. What is the underlying argument for using gross plant to allocate common costs such as A&G expenses and general plant?

A. Providing natural gas distribution service is a highly plant-intensive operation. Feeder lines must be installed throughout the system to transport gas at high pressure from the interstate pipelines to regulator stations around the system. These regulator stations reduce the pressure from the feeder lines and flow the gas into the intermediate-high-

pressure (IHP) system, otherwise known as small and large diameter mains. Mains have to be installed in the streets to provide service wherever customers are located. Connected to the feeders and mains are the service lines that flow the gas to the individual customers and the meters used to measure the gas. The common costs, such as A&G expenses, which are not directly assignable to individual rate classes, are best allocated based on the plant required to provide these classes with service.

In order to allocate the rate base and associated expenses related to the feeder lines, mains, service lines and meters to the various rate classes, the Company conducted an extensive plant study that was described by Mr. Bateson in his direct testimony in this case. (See QGC Exhibit 8.0.) No party in this case has contested the validity of the plant study proposed by Mr. Bateson. The results of the plant study are used to allocate the various components of rate base to the rate classes included in the COS. The Gross Plant allocation factor is the sum of all the rate base plant accounts, not including general plant accounts. General plant, which consists of things such as buildings, computer systems, software, etc., is allocated based on Gross Plant.

Q. How does Rocky Mountain Power (RMP) allocate A&G expenses in their cost of service study?

A. RMP also uses a Gross Plant allocation factor to allocate A&G expenses, both on an inter-jurisdictional basis and on a rate schedule basis.

Q. Did the CCS propose to change the allocation factor for A&G expenses for RMP in their recent general rate case?

A. No.

Gradualism Proposals (Issue No. 23)

Q. UAE proposes to cap the DNG revenue increase to the FS, IS and TS rate schedules at 200% of the system-wide percentage increase. Do you agree with this gradualism adjustment?

A. No. UAE's proposed 200% cap equates to a 10.26% increase to the revenue requirement for the FS, IS and TS classes. This gradualism adjustment is the equivalent of moving about 1/5 of the way to total cost of service for the IS and TS classes. This is an

inadequate adjustment to cost of service. UAE does not dispute that the rates for these classes are below the cost of service in this case. UAE proposed a similar 200% cap in the previous rate case, Docket No. 02-057-02. It is clear that the IS and TS rates are not only under cost of service now, but have been for many years. UAE's proposal would perpetuate these lower than cost of service rates. If they can be successful in limiting the increases to these classes to 1/5 of the way to cost of service in each case, these customers will never have fully cost-based rates. The Company does agree that the increases to the FS, IS and TS classes should be mitigated with gradualism adjustments as I will explain below.

Q. What is the Company's position on gradualism for the non-GS classes?

A. The Company agrees that the concept of gradualism is one which the Commission has relied on in the past when deciding COS issues. We agree with the DPU that a movement of approximately 50% toward cost of service is a reasonable approach. This approach results in an increase to the IS and TS DNG revenue of approximately 25% to accomplish that goal. We also agree that the DPU's proposals for an increase to the FS rate schedule of 10% and an increase to the FT-1 rate schedule of 12.5% are appropriate.

In the original filing, the Company proposed that the MT and NGV classes should receive increases equal to the overall system average increase of 5.20%. After reviewing the subsequent testimony in this case I am now of the opinion that the MT class, which is a transportation service class, should receive the same increase as the TS class. Therefore, I am now proposing that the MT class receive a 25% increase.

Q. What does the Company propose with regard to the NGV rate? (Issue No. 6)

A. Based on the Company's response to DPU data request 32.05 attached as QGC Exhibit 7.7R, the DPU and CCS propose that the NGV rate be increased by approximately 50% toward full cost of service. The company agrees with this proposal.

Q. What does the Company propose with regard to the gradualism adjustment to the GSR and GSC classes?

A. The Company continues to propose that a gradualism adjustment be included such that the GSC class receives a percentage increase of about 2.98%, which is about 40% less than the GSR class.

Q. Do you have an exhibit that summarizes the Company's proposed increases and the spread of the $11,966,498 Commission-approved revenue increase by rate schedule?

A. Yes, QGC Exhibit 7.8R provides that summary.

III. MISCELLANEOUS ISSUES

Rate of Return Used In Extension Area Charge (EAC) Calculations (See Issue No. 4)

Q. The DPU has proposed to reduce the "rate of return" used in the EAC calculations from the currently approved 9.64% to 6.0%. Does the Company agree with this proposal?

A. Yes. The Company supports the DPU's proposal to recalculate the payback period for each of the EAC areas using 6% from the date each area came on the system and agrees with the analysis presented by Mr. Barrow in his testimony. This methodology is consistent with what was done when the rate of return for these areas was reduced from 13.86% to 9.64% in Docket No. 06-057-T04.

Rate of Return Used In the GSS Expansion Areas (GSS) Calculations (Issue No. 5)

Q. The DPU has proposed to reduce the rate of return used in the GSS calculations for the Southwestern Utah GSS area and the Elmo/Cleveland GSS area from the 11% rate used to originally determine the payback period to 6.0%. Does the Company agree with this proposal?

A. Yes. The Company supports the DPU's proposal to recalculate the payback periods for these two areas using the 6% rate and agrees with the analysis presented by Mr. Barrow in his testimony.

Main Extension Policy Change Proposal (Issue No. 7)

Q. The CCS has proposed to reduce the main extension allowances in this docket. Does the Company agree with this proposal?

A. No. In the previous rate case, Docket No. 02-057-02, this issue was discussed and debated in great detail by the parties. In that case, the Commission approved a main extension policy that brought back into balance the relationship between new and existing customers consistent with what historically has been allowed. As a result of this change, when the total costs to install the main, service line and meter increase, the allowance given to new customers as a percentage of their total cost becomes smaller. The CCS' desire to have new customers pay or increase their contributions in aid of construction (CIAC) for new facilities is in fact occurring naturally as costs for new construction rise. Adopting the CCS proposal would be a move in the wrong direction. The Company believes that the only change that makes sense is to increase the allowance in order to keep the same relationship or balance between what customers have historically paid and what they are currently asked to pay for the service. The Company is not recommending this change at this time, but recommends that this issue be reviewed in the next general rate case.

Proposed Task Force To Discuss Low Income Issues (Issue No. 8)

Q. The AARP/SLCAP have proposed that interested parties should meet at the end of this case to develop a proposal, such as a rate discount, to help low-income customers stay on Questar Gas' system. Does the Company agree with this proposal?

A. The Company is always available to meet with interested parties regarding cost of service or rate design issues that are important to them. An open exchange of information and ideas is critical to the regulatory process. QGC would be happy to meet with any parties at the end of this case to discuss low-income proposals that could be recommended in a future rate case or proceeding.

IV. RATE DESIGN PROPOSALS

TS Rate Design (Issue No. 26)

Q. With regard to the rate design for the TS rate schedule, the DPU has proposed that the rate design should include a flat volumetric rate. Does the Company agree with these proposals?

A. No. The Company contends that the DPU's proposed flat volumetric rates cannot be determined as just and reasonable, particularly for a rate class in which the size differential from the smallest customer in the class to the largest is significant, as is the case in the TS rate schedule. Mr. Bateson will address the benefits of declining block rates in his rebuttal testimony.

Q. In addition, UAE has proposed that any change to the Company's proposed TS rates in this case should be prorated between the demand charge and the volumetric rates for this schedule. Does the Company agree with these proposals?

A. No. The Company disagrees with Mr. Higgin's proposal to prorate any changes to the demand charges and the volumetric rates. While this change would not result in the class as a whole paying any more or less for the service, it would result in inequities for the customers within this class. The Company's proposal to combine the firm and interruptible transportation customers into the TS class is based on the assumption that those transportation customers who want firm service would pay the incremental amount, determined in the COS study, for providing that service. The Company's proposed demand charge was calculated independently in the COS study from the cost of providing interruptible transportation service. In order to keep the theory of this combination pure, these rates and charges should once again be calculated independently after all the other changes to allocation factors or COS methodology ordered by the Commission in this case are reflected in the calculations.

V. TARIFF PROVISIONS

Transportation and Firm Sales Service Restrictions (Issue No. 29)

Q. In your direct testimony you discussed the removal of the firm sales ribbon option for transportation customers as well as the elimination of the F-4 rate schedule.

(See Lines 248-262 of QGC Exhibit 7.0) UAE has objected to both of these proposals. Will you please provide some background on this issue and the number of customers that will be affected?

A. Yes. Section 8.01 of the Questar Gas Utah Tariff provides a provision for interruptible sales and transportation customers to receive a portion of their service under a firm sales rate. This practice is called "ribboning." For example an interruptible transportation customer could elect to purchase the first 1,000 Dth that go through its meter each day on the F-4 rate schedule while purchasing the remaining gas that goes through the meter that day on the IT rate schedule.

Q. What other option is available to interruptible transportation customers that have firm requirements?

A. Interruptible transportation customers have the option of ribboning their usage between the IT and the FT-2 rate schedules. As I have already mentioned, 41% of the FT-2 customers are also IT customers. Under the Company's proposed TS rate schedule, transportation customers will be able to elect to have any portion of their service, subject to availability of firm service to their facility, to be firm and subject to the Demand Charge rate in the TS schedule.

Q. What is the relative cost to an F-4 customer from receiving service on the F-4 schedule instead of the FT-2 schedule?

A. Since ribboning usage on the F-4 schedule is through subtractive metering, in other words, the amount of the F-4 contract usage each day is billed at the F-4 rates, an F-4/IT customer's load factor on the F-4 rate is essentially 100%. The current DNG rates (effective August 15, 2008) for the F-4 and the FT-2 rate schedules are shown below:

DNG Rate Comparison For The F-4 and FT-2 Rate Schedules

F-4 Schedule			FT-2 Schedule		
	Dth	**DNG Rate**		**Dth**	**DNG Rate**
First	10,000	$0.33914	First	10,000	$0.20581
All Over	10,000	$0.32656	Next	112,500	$0.19087
			Next	477,500	$0.11857
			All Over	600,000	$0.02620

For this example, let us assume a hypothetical customer has contracted for 1,000 Dth per day on the F-4 rate. At 1,000 Dth per day for 30 days in a month, this hypothetical customer has average monthly firm usage of 30,000 Dth, and an annual firm usage of 360,000 Dth. Billing the monthly volume out at the F-4 DNG rates is as follows: ((10,000 x $0.33914) + (20,000 x $0.32656)) = $9,922.60. This translates into an annual DNG bill of about $119,000. Billing out the same 30,000 Dth at the FT-2 rates is as follows: ((10,000 x $0.20581) + (20,000 x $0.19087)) = $5,875.50. This translates into an annual DNG bill of about $70,500. The annual DNG bill for this customer is $48,500, or 69% higher on the F-4 schedule than on the FT-2 schedule.

Q. Why would a customer choose the F-4 option instead of the FT-2?

A. The answer must lie in the commodity portion of rates. The commodity rate for the firm sales rate schedules is made up of the system-wide average cost of gas, which is made up of about 50% purchased gas and 50% Company-owned production, and the amortization of the 191 account. For a customer to choose this option, economic analysis must have shown that the commodity rate on the F-4 volumes is enough lower, when compared with market priced gas, that it makes up for the $48,500 higher bill on the DNG portion of rates. This is a scenario that makes sense in a period of high gas costs, when the moderating effect of the Company-owned gas keeps the commodity cost for firm sales lower than the market price of gas. It also makes sense in periods of increasing gas prices when the lagged effect of the 191 account has the same effect.

Q. What is the impact of such IT / F-4 customers on all other firm sales customers?

A. Such customers would increase the commodity rates for all other firm sales customers. It can be safely assumed that the Company-owned production is produced at maximum levels, especially during periods of high market gas prices. All the remaining gas needed to satisfy the firm sales needs must be purchased at market prices, which are typically higher than the cost of Company-owned production. It follows, therefore, that adding 360,000 Dth of purchased gas into the firm sales volumes causes the Company to purchase those volumes at the higher market prices. This raises the commodity rates for all firm sales customers.

Q. Please summarize the Company's proposal?

A. It is the Company's position that customers that have chosen to purchase their own gas and use transportation service should do so exclusively without having access to firm sales schedules. This is proposed in order to protect the Company-owned production for firm sales customers and to insulate these customers from the imposition of additional gas costs caused by transportation customers buying firm sales service.

VI. PROPOSED RATES

Q. Have the rates calculated from the Company's rebuttal positions been presented in Tariff format?

A. Yes. QGC Exhibit 7.5R provides a comparison of rates in effect prior to the percentage increase on August 15, 2008 and the proposed rates. In addition, QGC Exhibit 9.1R attached to Mr. Bakker's rebuttal testimony shows the proposed Tariff rate schedules in legislative and proposed format. These Tariff sheets contain the rates that will recover the test-year costs from the various customer classes. The rates were derived from the rebuttal positions presented herein and in the Testimony and exhibits of Mr. Bateson.

Q. Have you calculated the impact of these rates on the typical residential customer?

A. Yes, I have. QGC Exhibit 7.9R, page 1, shows the impact of this proposed rate increase as compared to the rates that were effective July 1, 2008, prior to the percentage increase in this case. Page 2, shows the impact of this proposed rate increase as compared to the percentage increased rates that were implemented on August 15, 2008. The annualized change in GSR rates when compared to the current rates, effective August 15, 2008, is an increase of $19.74 or 2.42% per year for a typical Utah residential customer using 80 Dth per year. The projected month-by-month changes in bills are shown in QGC Exhibit 7.9R.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)

) ss.

County of Salt Lake)

I, Gary L. Robinson, 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.

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Gary L. Robinson

SUBSCRIBED AND SWORN TO this 22 day of September 2008.

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Notary Public