

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

**SURREBUTTAL TESTIMONY OF GARY L. ROBINSON
FOR QUESTAR GAS COMPANY**

October 7, 2008

QGC Exhibit 7.0SR

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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 in this case as QGC Exhibit 7.0 and rebuttal testimony as QGC Exhibit 7.0R.

Q. Attached to your written testimony are QGC Exhibits 7.1SR, 7.5SR, 7.6SR and 7.9SR. Were these prepared by you or under your direction?

A. Yes. The exhibits I am filing are updates to my rebuttal exhibits. Although I have not filed all nine exhibits, I have kept the numbering the same as in my rebuttal testimony. For example, QGC Exhibit 7.1SR is an update of QGC Exhibit 7.1R attached to my rebuttal testimony. QGC Exhibit 7.1SR has been updated to include each party's rebuttal position on the various issues in this case. QGC Exhibits 7.5SR, 7.6SR and 7.9SR have been updated to reflect the rolling in of the GSS, IS-4 and IT-S rate schedules as I will explain later.

Q. Why have you not filed updated exhibits for QGC Exhibits 7.2R, 7.3R, 7.4R, 7.7R and 7.8R?

A. Because these exhibits still represent the Company's position on the issues represented in them. For example, QGC Exhibit 7.2R is the cost of service (COS) summary that represents the Company's rebuttal position. This position has not changed for surrebuttal, so that exhibit remains the same. The same can be said for QGC Exhibit 7.3R, which is the spread of the CET allowed revenue amounts; QGC Exhibit 7.4R, which is a comparison of COS studies with current and proposed rate classes; QGC Exhibit 7.7R, which is the calculation of the NGV COS; and QGC Exhibit 7.8R, which is the Company's summary of the spread of the \$12 Million ordered increase by rate schedule.

Q. Have you updated the exhibit that summarizes the cost of service, rate design and Tariff issues that have been raised in this case?

30 A. Yes. QGC Exhibit 7.1SR provides a brief description of the issues raised in this case.
31 The issues are numbered from 1 to 32 in Column A. In Column B, the issues are
32 categorized by type into three categories: 1) Cost of Service (COS), 2) Rate Design (RD
33 and 3) Tariff (TRF). In Columns D to I, there is a brief description of each party's
34 position on the issue and a reference to the witness and the location in the testimony
35 where the issue is discussed. I have added a column for Roger Ball, who had not filed
36 testimony regarding cost of service or rate design prior to September 22, 2008.

37 **Q. What issues will you be addressing in this testimony?**

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

Issue #	Description
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4	Proposed change to EAC interest rate.
5	Proposed change to GSS interest rate.

39

40 **II. EXPANSION AREA ANALYSIS INTEREST RATE**

41 **Q. Mr. Ball objects to the DPU's proposal to change the interest rate or rate of return**
42 **(ROR) that was used in the analysis of the expansion area charges (EAC) and the**
43 **southwestern Utah and Elmo & Cleveland expansion areas (GSS). On page 4 of his**
44 **rebuttal testimony he equates this change of ROR to a refinancing of the debt**
45 **associated with these expansion areas. Is this a proper comparison?**

46 A. No. The Company is not refinancing any debt for any of these communities. The
47 obligation for these areas is not to repay the Company or other ratepayers any specific
48 amount, but to pay the rates that are established by the Commission. The Commission
49 established the expansion area rates, both the GSS rates and the EAC, based on analyses
50 that include an assumed interest rate or ROR. Changing the assumed interest rate does
51 not refinance anything, but only changes the analyses used by the Commission to
52 establish those rates.

53 **Q. Does the Commission have the authority to revisit those analyses?**

54 A. There is a precedent for the Commission doing just that. In Docket No. 05-057-13 the
55 Commission reviewed the ROR that had been used in the original studies and ordered
56 that the ROR for these areas be reduced from 13.86% to 9.64%.

57 **Q. What did the Commission determine in Docket No. 05-057-13?**

58 A. The Commission determined that 9.64% was an appropriate ROR to include in the
59 analysis used to establish these rates to assure that the rates were just and reasonable and
60 did not put an undue burden on all other GS-1 ratepayers for the extension of service to
61 these outlying areas. The Commission has the authority to review the analysis used to
62 create those rates and make any changes to that analysis that the Commission deems
63 necessary in order to arrive at just and reasonable rates on a going-forward basis. The
64 Commission exerted this authority in Docket No. 05-057-13 and the DPU is only
65 suggesting that it do so again in this docket. In addition, the circumstances regarding the
66 GSS and the EAC areas are similar. In both instances the Commission established a
67 methodology for determining the time frame that the expansion area customers would
68 pay a premium rate, or additional charges. The Commission relied upon analyses
69 prepared at the time these rates and charges were being determined to set those time
70 periods. It is well within the Commission's authority to also revisit the GSS analyses and
71 recalculate the time periods based on a different set of assumptions if the resulting rates
72 are deemed just and reasonable.

73 **Q. It appears that the Commission has used at least two different interest rates**
74 **(13.86% and 9.64%) to arrive at EAC rates that it deemed just and reasonable. The**
75 **DPU is now suggesting a third rate (6.00%). How can the use of these quite**
76 **different interest rates all result in rates that are just and reasonable?**

77 A. All of these interest rates are within a range of reasonableness and have been used in
78 setting rates by this Commission. This issue is being addressed in the rate design portion
79 of this case. In my direct testimony on lines 361-424, I outlined the guiding principles
80 that underlie the process of developing a rate design. The ten criteria, or attributes, that
81 were listed are jointly referred to as the "Bonbright Principles" and are a list of
82 sometimes conflicting criteria that must be balanced in order to arrive at the most fair and
83 acceptable cost allocation and rate design. During this phase of the case, the Commission

84 is asked to make subjective decisions to balance the interests of all customers. The issues
85 may appear less black and white than during the revenue requirement phase. Each of the
86 interest rates mentioned can be justified for use in the EAC and the GSS analyses. The
87 13.86% was the allowed pre-tax rate of return when these areas were established. The
88 9.64% was the after-tax rate of return. The proposed 6.00% is an interest rate that has
89 been approved by this Commission for use by the Company in charging interest to
90 customers that have past due accounts, for paying interest to customers that have made a
91 deposit with the Company and for use in applying interest to under- or over-collections in
92 the 191 Account. The use of any of these three rates can be justified by the Commission
93 for use in the EAC and GSS analyses.

94 **Q. Mr. Ball asserts that the EACs do not recover all of the capital costs that QGC**
95 **incurred by extending service into those communities because the EAC was based**
96 **on the minimum system and the Company built a system that included the potential**
97 **for growth. Is that scenario unique to the EAC areas?**

98 A. No. The same thing happens when mains are extended to subdivisions anywhere within
99 the QGC service territory. For example, when service is extended to an area of the Salt
100 Lake Valley that has not previously had residential subdivisions, the developers and
101 builders of those subdivisions are given an allowance based on the main extension policy
102 included in the QGC Tariff. The developers/builders are then responsible for paying a
103 contribution in aid of construction (CIAC) for all the costs that exceed the allowances.
104 The costs that are used in determining the CIAC are based on the minimum system to
105 serve those customers, even though the Company installs mains that include the potential
106 for growth.

107 **Q. Why does the Company install mains that exceed the minimum system**
108 **requirements?**

109 A. It is far more prudent for the Company to plan and build the system with growth in mind
110 than to install mains that only meet the current minimum system and have to replace
111 those mains in a short timeframe, resulting in unnecessary increases to rate base,
112 unnecessary right of way, permitting and street cutting costs and other operations and
113 maintenance costs. It is far less expensive to install mains that allow for potential growth

114 than to go back and dig up the streets again, incur additional costs to obtain rights of way
115 and permits and replace mains before they are fully depreciated.

116 **Q. Have you completed a rate design that has rolled in the GSS, IS-4 and IT-S**
117 **customers into the GSR, GSC, IS and TS rate schedules?**

118 A. Yes. This was done in response to DPU Data Request No. 39.01.

119 **Q. Was it necessary to adjust the cost of service that you presented in your rebuttal**
120 **testimony?**

121 A. No. The cost of service that I presented in my rebuttal testimony had already combined
122 the expansion area customers with their respective rate classes for the purpose of
123 calculating the cost of service. The differential in rates for these customers was handled
124 in the design of rates for each rate schedule. As a result of the premium rates paid by the
125 GSS, IS-4 and the IT-S customers, the rates of the GSR, GSC, IS and TS customers was
126 correspondingly lower.

127 **Q. Have you prepared an exhibit that presents the rates for all rate schedules based on**
128 **the assumption that the GSS, IS-4 and IT-S rate schedules will be eliminated?**

129 A. Yes. QGC Exhibit 7.5SR presents a summary of the rates for all the rate schedules. This
130 exhibit compares the new rates with those presented in QGC Exhibit 7.5R attached to my
131 rebuttal testimony. This exhibit shows explicitly the impact to the rates in each schedule
132 of eliminating the expansion area rates.

133 **Q. Have you also updated the comparison of various customers' bills at current and**
134 **proposed rates?**

135 A. Yes. QGC Exhibit 7.6SR is an update of the summary of customers billed at various
136 usage levels in each rate schedule in the same format as QGC Exhibit 7.6R attached to
137 my rebuttal testimony.

138 **Q. Have you calculated the impact of the proposed rates shown in QGC Exhibit 7.5SR**
139 **on the typical residential customer?**

140 A. Yes, I have. QGC Exhibit 7.9R, page 1, shows the impact of these proposed rates
141 compared to the rates that were effective July 1, 2008, prior to the percentage increase in

142 this case. Page 2, shows the impact of these proposed rates compared to the percentage
143 increased rates that were implemented on August 15, 2008. Page 3 of this exhibit shows
144 the impact of these proposed rates compared to the proposed rates shown QGC Exhibit
145 7.5R attached to my rebuttal testimony. The total change to the typical residential
146 customer by rolling in the GSS rate schedule is 67¢ per year or 5.6¢ per customer per
147 month.

148 **Q. Does this conclude your testimony?**

149 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.

Gary L. Robinson

SUBSCRIBED AND SWORN TO this 7th day of October 2008.

Notary Public