BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 13-057- 05

DIRECT TESTIMONY OF BARRIE L. McKAY

FOR QUESTAR GAS COMPANY

July 1, 2013

QGC Exhibit 1.0

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Barrie L. McKay. My business address is 333 South State Street, Salt Lake City, Utah.

Q. By whom are you employed and what is your position?

A. I am employed by Questar Gas Company (Questar Gas or Company) as Vice President of State Regulatory Affairs. I am responsible for state regulatory matters and energy-efficiency programs for Questar Gas Company in Utah and Wyoming.

Q. What are your qualifications to testify in this proceeding?

A. I have listed my qualifications in QGC Exhibit 1.1.

Q. Attached to your written testimony are QGC Exhibits 1.1 through 1.12. Were these prepared by you or under your direction?

A. Yes.

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

A. My testimony explains that, in compliance with the Questar Gas' general rate case order in Docket No. 09-057-16, Questar Gas Company is filing a general rate case by July 2013. Additionally, Questar Gas is seeking rate relief for its capital expenditures, including return, depreciation and property taxes, and expenses related to pipeline integrity compliance.

Questar Gas is requesting the continuation of the Infrastructure Replacement Tracker and proposes that it be expanded to include the replacement of aging intermediate high pressure (IHP) pipelines, specifically the beltlines that serve the populated areas of Utah, Salt Lake and Weber counties.

My testimony will explain the Company's proposal to conduct testing to ensure that interruptible sales and transportation customers are capable of being interrupted.

I will introduce the test period that the Company believes best reflects the rate-effective period.

I will provide an update on the Cost-of-Service Task Force and will introduce the Company's recommendations for cost-of-service and rate design.

I will describe the Company's recommendation for the compressed natural gas for natural gas vehicles (NGV) rate.

Finally, I will introduce the Company's witnesses who will support the Company's proposed return on equity of 10.35% and overall cost of capital of 7.89%, the Company's proposed test period, the Company's revenue requirement, the Company's cost-of-service and rate-design proposals, and changes to the Company's tariff.

Q. You indicated that the Utah Public Service Commission (Commission) ordered the Company to file a general rate case by July 2013. Please explain.

A. In Questar Gas' last general rate case in Docket 09-057-16 the Commission approved a Settlement Stipulation that provided "…that the Company will file a general rate case at least every three years while the Infrastructure Tracker is in effect. The Company's next general rate case will be filed no later than July 2013." (See Docket 09-057-16 Report and Order, paragraph 19) In addition to this requirement, the timing of this case is driven primarily by the Company's ongoing critical need to replace its aging infrastructure. Questar Gas' capital expenditures are significantly increasing from $88 million in 2009 to approximately $195 million in 2013 and $189 million in 2014. These capital expenditures are driven by the costs associated with maintaining, upgrading and replacing the Company's existing infrastructure, the number of customers that the Company serves, and the growth in peak-day demand.

II. INTRODUCTION OF WITNESSES

Q. Would you please identify the Company's witnesses?

A. Yes. Mr. David M. Curtis, Vice President and Controller of Questar Gas, will provide testimony supporting the Company's capital structure, cost of debt, cost of equity and overall rate of return. Mr. Curtis will also describe the Company's financial risks compared to its peers.

Mr. Kelly B. Mendenhall, Director of the State Regulatory Affairs Department for Questar Gas, will provide testimony that proposes the test period that best reflects the rate-effective period and shows the revenue requirement deficiency for the proposed test period. Mr. Mendenhall will also present proposed rate-design changes to the TS and IS rate schedules.

Mr. Austin C. Summers, Supervisor in the Regulatory Affairs Department for Questar Gas, will provide testimony supporting the Company's cost-of-service model for all rate classes, including the NGV rate class, and rate design for the GS, FS and NGV classes. Additionally, he will discuss changes to FT-1 criteria and the IHP main and service line contribution in aid of construction (CIAC).

III. BACKGROUND

Q. Can you describe Questar Gas' performance in providing reliable natural gas service for its customers?

A. We have met our firm customers' demand for reliable natural gas service, especially during cold weather, without a major service disruption for nearly 85 years. Although this past January did not produce a design-day peak event, it did provide a significant test for our system to perform reliably during record cold temperatures. Questar Gas experienced 26 days in January where temperatures were recorded at or below normal. This resulted in five of the 10 highest days of total system sendout ever measured on the Company's system. Meeting customers' natural gas demands requires comprehensive

planning, available natural gas supplies, capacity on upstream interstate pipelines, storage services, and a well-engineered and maintained distribution system. It requires dedicated, trained employees who understand and operate these systems and facilities. Our customers' demand for natural gas can vary from approximately 95,000 Dth per day in summer weather to over 1.47 million Dth per day in below-zero peak-day conditions. During extreme weather, we strive to meet all customers' demands for natural gas. This requires around-the-clock dedication of our gas-supply and gas-control employees. It requires our facilities to be well-maintained and in top working condition. It takes the combined effort of numerous Questar Gas, Questar Pipeline and Wexpro employees working around the clock in remote areas of our system in sub-zero weather to ensure that supplies continue to flow.

Our employees take pride in our reputation for providing reliable natural gas service. If Questar Gas had not invested significant capital over the past few years to reinforce and upgrade our distribution system, we would not have been able to meet the record demand of recent years. An aging system, the number of customers, and growing peak-day demand will require the continued investment of new capital to maintain, replace, expand, and upgrade high-pressure feeder lines, intermediate high pressure main lines and service lines.

Q. How many new customers request service from Questar Gas each year?

A. In our last general rate case, the number of new customers served by Questar Gas had declined, as a result of the economic recession that started in 2008, to 9,900 in 2009. This compares to over 20,000 customers per year that the Company was adding from 2003 thru 2007. The economy has been slow to rebound to its previous level, but last year's addition of about 11,500 customers was encouraging. This year's total Company forecast of 14,000 customers and 2014's forecast of 16,300 indicates that the economy is gradually improving. Our goal is to provide safe and reliable natural gas service to each of these customers on a timely basis with a high level of customer satisfaction. The bar graph in QGC Exhibit 1.2 shows the number of customers added each year for the past

four years and projections for 2013 and 2014. The boxes at the bottom of each bar show the number of complaints we have received from new customers because service connections were not made in a timely manner. The small number of complaints shows how well Questar Gas is meeting new customer requests for service.

Q. Does Questar Gas strive to increase its operating efficiency?

A. Yes. Customers want reliable, reasonably priced natural gas service. To keep service as economical as possible, we strive to operate efficiently. Questar Corporation offered employees a retirement incentive in the first quarter of 2013. This is one example of Questar's on-going efforts to manage controllable costs. This type of management decision has resulted in Questar Gas serving 103 percent more customers than we served in 1985 with 44 percent fewer employees. QGC Exhibit 1.3 depicts the number of customers served per employee from 1985 through 2012. This increased efficiency reduces the costs customers incur for natural gas service. Few natural gas utilities operate in areas where the geography, climate and population distribution is as diverse as Questar Gas' service territory. This makes Questar Gas' top-level efficiency and performance even more remarkable.

Q. How do the overall prices paid by Questar Gas' customers compare to prices paid by customers in other states?

A. The U. S. Department of Energy's Energy Information Administration (EIA) maintains an online database of energy statistics at http://www.eia.doe.gov/. It includes the average residential natural gas prices by state on a trailing 12-month basis. Utah natural gas customers consistently pay among the lowest prices in the U.S., and Questar Gas serves nearly all natural gas customers in Utah. QGC Exhibit 1.4 shows Utah's ranking in the EIA data. Utah's price for both commercial and industrial customers is also near the lowest in the country. Efficient Questar Gas operations is a significant reason why our prices are lower than other areas of the country.

Q. Does Questar Gas use customer-service benchmarks to track whether it is meeting customers' expectations?

A. Yes. Questar Gas files detailed quarterly reports with Utah regulators showing our performance in many areas of customer service including call handling, meter-reading accuracy and emergency-response times. Our goals were established with input from regulators. Our performance consistently exceeds almost every goal and most of the service standards have improved every year. I have prepared QGC Exhibit 1.5 that summarizes these service levels for selected areas. We have worked hard to manage expenses and operate efficiently. At the same time, we remain focused on providing high levels of service in areas valued the most by our customers.

Q. Does the Company survey customers to measure customer satisfaction?

A. Yes. Every month Dan Jones and Associates surveys a random sample of customers who have called Questar Gas for service, who have had in-home service, and who have not called for service. This survey includes detailed questions seeking the level of customer satisfaction with the service they received on the telephone and in their homes. It also includes questions on their overall satisfaction as a Questar Gas customer. QGC Exhibit 1.6 shows survey results since 2006 for the question concerning customers' overall satisfaction with the products and services they receive from Questar Gas. The results show customer satisfaction is high. Data for the first quarter of 2013 show that on a five-point scale where five is "very favorable" and one is "very unfavorable", 86 percent of our customers rate our overall service as a "favorable" or "very favorable". Only 6 percent rate our overall service as "unfavorable". The survey also includes questions about many specific areas of service such as call center and Ask-A-Tech services. Customer opinion of our service in each of these areas is also high.

Q. What overall conclusion do you draw from these performance factors?

A. Questar Gas delivers safe, reliable, low-priced natural gas service to our customers and they are very satisfied with the service they receive. Even with the rate increase we are requesting in this case, our customer prices for natural gas service will continue to be among the lowest in the nation.

IV. TEST PERIOD

Q. What is the test period that the Company proposes be used in this case?

A. The Company is proposing an average 12-month test period ending December 31, 2014. Mr. Mendenhall will discuss how the proposed test period best reflects the conditions the Company will encounter during the rate-effective period.

Q. What assurances can the Company provide that its forecasted test period is reliable?

A. With respect to both Capital Expenditures and Operation and Maintenance (O&M) expense, Mr. Mendenhall's QGC Exhibit 3.8 shows that for the last five years the Company's capital expenditures and O&M expense have been, on average, within 4.6 percent and 0.4 percent, respectively, of forecasted levels. Overall, the Company's budgeting and planning process has been very accurate.

V. INFRASTRUCTURE TRACKER

Q. Would you please describe the Infrastructure Rate-Adjustment Mechanism commonly referred to as the Infrastructure Tracker?

A. Yes. The Infrastructure Tracker was approved by the Commission in the Company's last general rate case as a pilot program subject to review in the Company's next general rate case. The Infrastructure Tracker has allowed Questar Gas to be among the leaders in the nation in replacing aging natural gas infrastructure. The description and requirements of the Infrastructure Tracker are provided in Section 2.07 of Questar Gas' tariff. Basically, the Company is allowed to track costs that are directly associated with Replacement Infrastructure through an incremental surcharge assigned to each rate class. The Company is required to file its next year's annual plan and budget describing the estimated costs and schedule for the Replacement Infrastructure with the Commission no later than November 15 of each year. The Company is also required to file quarterly progress reports describing the Replacement Infrastructure program. Replacement Infrastructure is identified as new high-pressure infrastructure that is replacing aging

high-pressure infrastructure as required to ensure public safety and provide reliable service. Annual Replacement Infrastructure investment is limited to $55 million, adjusted annually for inflation using the Global Insight Distribution Steel Main Inflation Index. Replacement Infrastructure must be in service when the application is filed. The surcharge is assigned to each rate class based on the Commission-approved total pro rata share of the DNG tariff revenue ordered in the most recent general rate case. The Company is required to track the Replacement Infrastructure separately, by sub-account, from other accounts. At the time of the next general rate case, all prudently incurred investment and costs associated with the Surcharge will be included in base rates and the current surcharge will be set to $0.00.

A. Infrastructure Tracker Pilot Program

Q. In the past three years have additional natural gas utilities implemented infrastructure rate-adjustment mechanisms?

A. Yes, as more and more natural gas utilities have addressed the need to replace infrastructure to ensure safety and reliability, mechanisms to allow for recovery of costs between rate cases have become more common in the industry. Today over 29 natural gas utilities in 42 service territories in 20 states have implemented commission-approved infrastructure rate-adjustment mechanisms. I have attached as QGC Exhibit 1.7 a summary of natural gas utilities that have been authorized to implement an infrastructure rate-adjustment mechanism. This exhibit also includes a general description of each mechanism and how it works.

Q. Is there additional evidence that these types of mechanisms are being encouraged to be adopted in the regulatory arena?

A. Yes, attached as QGC Exhibit 1.8 is a copy of a NARUC resolution that will be presented at the summer NARUC meetings that will be held in Denver, July 2013. Among other things the resolution encourages the implementation of rate mechanisms that can be used to accelerate the replacement of “outdated” distribution lines.

Q. Is the Company proposing that the Infrastructure Tracker be continued?

A. Yes. The experience that the Company and the Utah regulatory agencies have gained in the last three years and the general acceptance of these types of mechanisms nationwide, demonstrate the need for this program to be continued on an ongoing basis and not as a pilot program. Additionally, as long as the Commission requires the Company to file a general rate case at least every three years, this mechanism can be reviewed and analyzed just like any other general rate case item.

B. Annual Budget and Quarterly Progress Reports

Q. Please describe the annual infrastructure replacement budget and quarterly progress reports the Company filed since its last general rate case.

A. In November 2010, 2011 and 2012, the Company filed with the Commission its annual replacement budget for the upcoming year. Each quarter the Company filed progress reports. Additionally, in April of 2012 and 2013, Company representatives (regulatory personnel, project managers and accounting personnel) met with representatives from the Commission, the Division of Public Utilities (Division) and the Office of Consumer Services (Office) in publicly-noticed meetings and explained the 2011 and 2012 replacement budget projects, actual costs, variances and plans for the coming year.

Q. Does the Company plan to continue these types of meetings and reporting if the Infrastructure Tracker is approved going forward?

A. Yes. These meetings and reports help interested parties become aware of upcoming projects and have provided a forum to explain progress, changes and variances that are common with these types of projects.

C. Tracker Limited to High-Pressure Infrastructure and $55 million/year

Q. Has the Company only included the replacement of high-pressure feeder lines and their accompanying costs in the tracker?

A. Yes, as allowed in the tariff replacement costs of high-pressure feeder lines and necessary appurtenant facilities have been included in the tracker.

Q. Is there a continued need for the replacement of high-pressure infrastructure within the Questar Gas system?

A. Yes. Attached as QGC Exhibit 1.9 is a summary of the feeder lines currently scheduled for replacement. Questar Gas has identified approximately 20 feeder lines or segments of feeder lines that are scheduled for replacement over the next decade. This plan is reviewed on an ongoing basis and is subject to change depending on factors such as pipeline-integrity testing, customer-growth patterns, highly populated areas, capacity restraints and proposed street-widening projects. Although the scheduling of each feeder-line replacement project may vary from the schedule shown on QGC Exhibit 1.9 based on factors such as these, annual expenditures should remain approximately the same.

Q. Have the Transmission Integrity Management Program (TIMP), the Distribution Integrity Management Program (DIMP) and its own internal practices helped the Company become aware of additional pipelines and related facilities that should be scheduled for replacement?

A. Yes, through the above-mentioned processes, the Company has identified intermediate high pressure (IHP) pipelines that need to be replaced. The intermediate high-pressure pipelines that are scheduled for replacement were typically installed prior to 1970, reconditioned in many instances, and are now located in areas that have become more densely populated. This infrastructure is similar to the high-pressure infrastructure. The only significant difference is that intermediate high-pressure infrastructure is operated at a lower pressure.

Q. Has the Company identified the IHP infrastructure that needs to be replaced?

A. Yes, I have attached as Exhibit 1.10 the presentation that the Company made on March 27, 2013 in one of four IRP meetings. This presentation explains the DIMP program, the risk model that prioritizes the replacement of IHP infrastructure, the justification for replacement and the amount of infrastructure that has currently been identified to be replaced**.**

Q. Has the Company started replacing these lines even though they are not included in the Infrastructure Tracker?

A. Yes, in 2011, after identifying approximately 70 miles of IHP beltline pipelines that need to be replaced the Company began to replace these pipelines.

Q. At the current rate of approximately $2 - $3 million a year, how long will it take to replace this pipe?

A. Approximately 30 years.

Q. Is an accelerated replacement schedule warranted?

A. Yes, given the fact that this IHP infrastructure is aging and the high consequence of failure (that is, all of this pipe is located in populated areas of Provo, Salt Lake City or Ogden) the Company recommends that replacement should increase to approximately $10 million a year and that this type of pipeline replacement should be included in the Infrastructure Tracker.

Q. How much would be included in the Infrastructure Tracker if your proposal is accepted?

A. The Company proposes to spend a total amount of about $65 million per year, $55 million on high-pressure feeder line and $10 million on IHP (beltline) replacements combined. The exact amount of high-pressure feeder lines and IHP could vary from year-to-year because of permitting, risk profiles, weather and other issues, but the plan would be to replace a combined $65 million a year of aging infrastructure, adjusted for inflation.

Q. How does that compare to what the Company is currently allowed?

A. In Docket 09-057-16, the Commission allowed the Company to include $55 million, adjusted for inflation. Based on the Company's November 2012 filing, that amount is $66.7 million. The Company is proposing to stay within the current Commission-allowed level, but recommends expanding the Infrastructure Tracker to include intermediate high- pressure pipelines.

D. Plant Must Be in Service to Be Included in Tracker

Q. Has all plant that has been included in the tracker been considered "used and useful"?

A. Yes, only high-pressure Replacement Infrastructure that is in service have been included in the tracker.

Q. Does the Company recommend that this requirement continue?

A. Yes, this requirement allows the Company to charge customers for the new infrastructure only after the old pipe has been taken out of service and the replacement infrastructure is providing gas to customers. Although some natural gas utility trackers are more aggressive by allowing projected plant costs to be included in rates, the Company believes that this is a reasonable requirement.

E. Company May File Semi-Annually To Change Surcharge

Q. Has the Company filed semi-annually to change the surcharge?

A. Yes, the Company has made four filings to change the surcharge, two in 2011 and two in 2012.

Q. Does the Company recommend that this requirement continue?

A. Yes, this has allowed the Company to be compensated for its replacement investment in a timely manner. Additionally, it has provided existing customers the opportunity to begin paying for the incremental costs of the replacement infrastructure soon after it has been placed in service. This helps to prevent larger than needed rate increases.

Q. Has this helped the Company to avoid annual general rate cases?

A. Yes, avoiding annual general rate cases is an important benefit of the Infrastructure Tracker. This investment is not directly related to new customers. Instead, it is required to ensure the safe and reliable service for existing customers. Providing the opportunity for the Company to increment rates for the specifically identified infrastructure between

general rates cases reduces overall costs, increases rates more gradually and has customers paying for the service in a timely manner.

F. Surcharge To Be Assigned To All Customer Classes On Pro-Rata Basis

Q. How has the Company assigned the surcharge?

A. Each tracker filing has assigned the surcharge to all customer classes based on the Commission-approved total pro rata share of the DNG tariff revenue ordered in Docket 09-057-16.

Q. Does the Company recommend changing this assignment?

A. No. This has been a reasonable assignment of the surcharge. All customers are being assigned a portion of the incremental costs based on the Commission's finding in the most recent general rate case.

G. Replacement Infrastructure required to be accounted for separately

Q. Has the Company accounted for the replacement infrastructure separately?

A. Yes, following the approval of the Settlement Stipulation the Company identified the separate sub-accounts that would be used to track replacement infrastructure. The Company identified reports that it believed would help to provide clarity and understanding of all costs associated with the replacement of infrastructure. Even after this plant is included in general rates, the Company has designed its accounting system to identify this replacement infrastructure separately. For as long as the tracker is in place we plan to separately identify this plant.

H. Tracker Surcharge To Be Rolled Into General Rates

Q. Is the Company proposing to include the infrastructure replacement costs, that are included in the current surcharge, in base rates?

A. Yes.

Q. How will this work?

A. All of the plant, accumulated depreciation, accumulated deferred taxes, depreciation expense and taxes other than income that were separately identified in the tracker filings and that have been separately tracked since the last rate case have been included in their respective FERC accounts and included in the test period. These costs are part of the total revenue requirement that the Company is requesting in this case and they have been included in the DNG portion of each rate schedule.

Q. What will happen to the surcharge at the time new base rates are approved?

A. The surcharge will be reset to zero. This is illustrated in Mr. Mendenhall's QGC Exhibit 3.37, 2.02 GS Rate Schedule. This is the proposed rate schedule for the GS class. As can be seen, the Infrastructure Rate Adjustment line shows zero for all block usage**.**

Q. Assuming new rates are set based on an average 2014 test period, at what point in time will replacement investment for feeder lines and IHP beltlines begin to be included in the infrastructure rate-adjustment mechanism?

A. Based on an average 2014 test period, any investment above $22 million that is put into service on or after January 1, 2014, should be included in the tracker. The Company notes that it is proposing an average 2014 test period that has a starting point that assumes $62 million of investment in feeder line and IHP beltline replacement in 2013. If this level of investment is not reached by year-end 2013, then tracking of 2014 incremental investment in replacement pipe should not begin until the $62 million of investment has been reached. Additionally, the effective date of an incremental surcharge related to the infrastructure rate-adjustment mechanism should be on or after March 1, 2014. Both of these limiting criteria will ensure that no costs have been included twice and rates are just and reasonable. The Company's first request, following this general rate case, to adjust rates for the tracked replacement of aging feeder lines and IHP beltlines will include evidence showing that these two limiting criteria have been followed. Attached as QGC Exhibit 1.11 is a summary of the replacement infrastructure that the Company has included in its 2013 and 2014 capital budget and is the basis for what is included in the

2014 average test period. (See column D, line 27). This calculation uses the same methodology that was used in the 09-057-16 case.

I. Company To File A General Rate Case At Least Every Three Years

Q. Does the Company agree with the requirement to file a general rate case every three years as long as the infrastructure tracker is in place?

A. Yes, filing a general rate case every three years will allow the surcharge to be rolled into base rates thus providing for any changes in the cost-of-service (COS) allocation and rate-design methodology to be reflected in rates.

Q. Has the Company prepared proposed tariff changes that implement the continuation and expansion of the Infrastructure Tracker?

A. Yes, included in Mr. Mendenhall's QGC Exhibit 3.37, Schedule 2.07, is the proposed Infrastructure Rate Adjustment Tracker tariff in legislative and final format. The proposed tariff changes include intermediate high pressure infrastructure and clarify the inclusion of appurtenant facilities.

VI. COST-OF-SERVICE TASK FORCE

Q. Did you participate in the cost-of-service task force?

A. Yes. I participated in both the most recent (Docket No. 09-057-16) cost-of-service task force and the cost-of-service task force in Docket No. 02-057-02.

Q. Did the parties reach any agreement in the most recent task force?

A. Although each issue of the cost-of-service and rate design was thoroughly reviewed, analyzed, and in some cases reviewed again, the task force was not able to reach an agreement that was satisfactory to all parties. Through this process, all of the interested parties became very familiar with all of the cost-of-service and rate design issues.

Q. How have the cost-of-service allocations and rate design been handled in the past two rate cases?

A. Following the 02-057-02 general rate case, the Company created, as required by order, a cost-of-service model that allocated costs beginning at the FERC account level. The Company sponsored this class cost-of-service study in Docket No. 07-057-13 and in Docket No. 09-057-16. However, both cases were settled and therefore the Commission did not rule on the COS allocation and rate design issues. Instead, both settlements called for rates to be set based upon percentage increases to each of the classes. Unfortunately, as Mr. Summer's and Mr. Mendenhall's testimony and exhibits will show, this methodology allows both inter- and intra-class subsidies. These subsidies have grown and are providing customers with a way to arbitrage the rates. The parties in Docket No. 09-057-16 were hopeful that the task force (Docket No. 10-057-12) would result in either an agreed-upon or Commission-ordered cost-of-service methodology. This did not happen and the Company believes that the cost-of-service and rate design issues are now ripe for Commission review and determination.

VII. NGV RATE

Q. In the Company's last general rate case, what was the Company's position regarding the rate for compressed natural gas for natural gas vehicles (NGV Rate)?

A. The Company's position in that case was to move the rate closer to full cost-of-service, but continue the rate at less than full cost-of-service until the next rate case when the rate could be reviewed.

Q. What events led the Company to support an NGV Rate that was less than full cost?

A. There were several significant events that persuaded the Company that it was in the public interest to support an NGV Rate that was less than full cost-of-service. First, the Utah State Division of Energy expressed interest in partnering with the Company to encourage natural gas vehicles for fleets and consumers as part of its campaign to endorse alternative fuel vehicles. Second, the demand for CNG was staying at a level of approximately 350,000 Gas Gallon Equivalents (GGE) (approximately 42,000 Dth) a month despite a drop in gasoline prices. Third, the Utah Clean Cities Coalition was the recipient of a total grant award of over $14 million. Questar Gas was one of the potential

grant recipients under the Utah Clean Cities Coalition grant and qualified for federal grant money when it invested in its existing and new NGV re-fueling stations in Utah. Fourth, House Bill 392 was passed in the 2009 general session of the Utah Legislature and allowed the Commission to approve a rate that was less than full cost.

Q. Please provide an update of current investment, usage and rates for NGV customers?

A. The Company has about $15 million invested in NGV refueling infrastructure. We currently operate 29 NGV refueling stations. The annual usage has increased to over 600,000 dths. Attached as QGC Exhibit 1.12 is a five-year summary of the GGEs sold, price of unleaded gas and the price of the gallon of CNG.

Q. Have the increased investment and increased use of CNG led the company to recommend a full cost NGV rate?

A. Yes. Given the Company's current investment, customers' increased demand (annual usage) and the Company's proposed cost-of-service methodology for the NGV rate class, the Company's position is that the NGV rate should be full cost.

Q. Could the issues influencing the NGV rate change in the future?

A. Yes, the Company notes that in the 2013 legislative session SB 275 was passed. Although the impact of this bill is unknown at this time, there is a possibility future NGV refueling infrastructure approved under the terms of this bill, could again cause the NGV rate to be a less than full cost rate.

VIII. INTERRUPTION TESTING

Q. Why is the Company proposing to conduct interruption testing of its interruptible customers?

A. Since 2001, the Company has not needed to interrupt service to its interruptible customers. As a result, the Company has determined that there are three issues that need to be addressed: 1) the Company needs to verify that the interruptible customers can stop

burning gas when interrupted; 2) the Company needs to ensure that interruptible customers are paying a rate that accurately reflects the service they are receiving; and 3) the Company needs to ensure that it can actually rely on the interrupted volumes on a peak day.

Q. How do you propose to address these issues?

A. The Company proposes to add a testing requirement for interruptible customers. Specifically, the Company is proposing to conduct at least one interruption test each year to ensure that all interruptible customers will interrupt when required.

Q. How will the Company go about conducting the interruption test?

A. The Company will conduct interruption testing by interrupting every interruptible customer at least once annually. The Company will give each customer 24 hours notice prior to the start of the gas day of the interruption test and set forth the time the interruption test will begin and when the interruption will end. Each interruptible customer will be required to cease using interruptible volumes during the interruption test. If any interruptible customer fails to cease using interruptible volumes during the interruption test, the customer will be billed the demand charge, SNG costs and the commodity cost set forth below.

Q. Please explain how you calculated these Failure To Interrupt charges and the purpose of these charges.

A. The purpose of this "demand" charge is to charge customers for the "true" amount of firm service they have received. In theory, if an interruptible customer continues to use and or transport gas on a day when they should be interrupted, then the amount of gas they use represents the amount of "firm" service they have received and should have been paying for throughout the year. The demand charge shown in the Failure To Interrupt § 3.02 is calculated by taking the functionalized demand costs of the comparable firm rate classes and dividing the costs by the demand Dths for each respective rate class. The calculation is shown in the table below:

Interruptible Class	Comparable Firm Rate Class	Total Demand Costs	Demand/ Dth	Demand/Dth
Transport Service	Transport Service	$2,315,179	80,335	$28.82
Interruptible Sales	General Service and Firm Sales	$43,666,097	1,231,444	$35.46

Q. Does the implementation of the Failure To Interrupt charges impact any other interruptible tariff provisions?

A. Yes. There is no longer a need for the Emergency Service or "ES" rate schedule. The Failure To Interrupt charges reflect the actual cost of the service that a customer has received during an interruption and should have been paying for throughout the year. Accordingly, the Company recommends removing the ES section from the Tariff.

Q. Have you prepared proposed tariff sheets that set forth this proposal?

A. Yes, these are included in Mr. Mendenhall's QGC Exhibit 3.37, Schedules 3.02, 4.02 and 4.03 in legislative and final format.

IX. INTERRUPTIBLE SALES SERVICE COMMODITY CHANGES

Q. Are you proposing changes to the commodity rate for the IS class?

A. Yes. Rather than charging the monthly market index price for the IS commodity rate, the Company proposes to charge the weighted average cost of gas (WACOG).

Q. Please explain why you are recommending this change?

A. From May 2012 through September 2012, the Company did not need to purchase any gas because increased volumes of Company-owned production met its summer needs. Company-owned production volumes are forecasted to continue to fulfill summer requirements for 2013 and 2014. Additionally, for the past several years the price of purchased gas has been below WACOG. The Company believes that IS customers should pay WACOG to avoid inadvertently creating an inter-class subsidy. Ultimately,

this change will benefit all sales customers by eliminating potential subsidies and reducing administrative costs.

Q. Have you prepared proposed tariff sheets that set forth this proposal?

A. Yes, these are included in Mr. Mendenhall's QGC Exhibit 3.37, included in legislative and final format.

X. CONCLUSION

Q. Would you please summarize your recommendations?

A. Yes. The rates proposed by Questar Gas in this case are just and reasonable. They reflect the prudent costs Questar Gas will incur in providing safe, reliable and adequate service to its customers during the rate-effective period. The rate spread and rate design proposed by Questar Gas represent a fair apportionment of costs among our customer rate-classes and provide customers with the correct signals to use natural gas efficiently. I recommend that the Commission approve the proposed rates and tariff changes in our application and testimony.

Additionally, I recommend that the Infrastructure Replacement Tracker be continued and expanded to include the replacement of aging intermediate high pressure beltlines.

Q. Does this conclude your testimony?

A. Yes.

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

I, Barrie L. McKay, 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.

_____

Barrie L McKay

SUBSCRIBED AND SWORN TO this _____.

_____

Notary Public