UCMC Exhibit 1.0

Bruce F Rigby

Docket No. 13-057-05

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. 13-057-05 UTILITY COST MANAGEMENT CONSULTANTS EXHIBIT 1.0

PRE-FILED DIRECT TESTIMONY

OF

TRAVIS RIGBY

ON BEHALF OF

UTILITY COST MANAGEMENT CONSULTANTS

PROVIDING COMPARATIVE ANALYSIS AND

STATEMENTS OF IMPACT

October 28th, 2013

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Exhibits

PURPOSE OF TESTIMONY

Q: Please state your name, business address, employer, and current position or title for the record.

A: My name is Travis Rigby, and my business address is 102 East Cobblecreek, Cedar City, Utah 84721. My company is Utility Cost Management Consultants (UCMC). My current position is a Chief Financial Officer.

Q: Have you previously filed testimony in this proceeding?

A: No.

Q: Will any other witnesses be presenting supplemental testimony with this filing?

A: Yes. One additional witness will present Supplemental Direct Testimony in support of this filing: Dale Hatch, CFO of Dunford Bakers, Former Utah State Budget Director.

Q: What is the purpose of the Supplemental Direct Testimony?

A: To propose a fair alternative to this rate increase.

Q: What is the purpose of your testimony in this proceeding?

A: Persuasion against increasing transportation costs as outlined in this rate case. To demonstrate analysis which shows Questar combined Transportation Service (TS) non-gas in Utah are currently as high or higher than non-gas fees allowed in

nearby states. To express the significant impact smaller public and private entities would experience if this rate adjustment is approved, and to propose an extension for making related rate changes in 2014.

COMPARATIVE ANALYSIS

Q: How do the Utah Questar TS non-gas costs compare to other mountain states in this region?

A: Investigations and experience demonstrate that proposed TS increases would result in Questar Gas having the highest TS fees in the region. For small TS customers, current Questar TS fees are consistent with neighboring markets. The majority of TS customers are considered "small." By broad definition, small customers consume under 50,000 Dth annually. The primary differences between Questar and other utilities in surrounding states are:

- Questar's administration fees are substantially higher than comparable providers. I am unaware of other utilities that charge sizeable administration fees. Questar requires an annual fee of $4,500 on top of the monthly service fee. Such administration fees are nonexistent in surrounding regions and negate TS benefits for smaller consumers.

- Customers are unable or are provided only limited ability to pool meters. Utilities researched, including Questar, charge on a declining scale, where reduced rates are applied at elevated consumption. Utilities in

surrounding states allow enhanced capability to pool meters, which expands TS cost benefits to additional facilities. By contrast, it is extremely difficult to pool multiple meters on TS with Questar. Limitations on meter pooling prevent customers from receiving the more economic pricing afforded by higher levels of consumption. Utilities researched, including Questar, charge on a declining scale where reduced rates are applied at elevated consumption. Ability to pool meters greatly enhances TS benefits, especially to small customers. Severe restrictions on this ability mean that Questar customers are effectively excluded from cost-savings opportunities that comparable users in surrounding states are given.

- Current Questar non-gas fees are in line with regional rates. Comparative rate analysis indicates similar TS non-gas pricing between Questar and neighboring utilities for small consumers. Questar currently provides a lower transmission charge but higher administration fees in comparison to other utilities, some of which charge no administration fees whatsoever.

- The cost of telemetry equipment and installation thereof is often covered by the utility in neighboring states. Questar applies these costs (up to $5,000) to the customer. Neighboring regions often require the customer to cover only the cost of installing a phone line at the meter(s). This cost averages $150 per meter.

- The consumption threshold for obtaining economic benefit on TS is much lower in neighboring states. Questar's heavy administration fees make it difficult for consumers under 10,000 Dth per year to benefit on TS. Economic benefit is achieved in Colorado at 1,500 Dth/year. In Montana, TS accounts are required to consume at least 5,000 Dth/year, but smaller accounts may be pooled to achieve minimal consumption requirements.

- Application and implementation policies of Questar's TS rate are strict, allowing TS activation *exclusively* on July 1 of each year and at no other time. Other states offer year-round TS application and implementation.

In a comparative example applying these aforementioned differences, a gas consumer with Xcel Energy in Colorado having 12 facilities in different locations was capable of pooling consumption on 12 meters. The telemetry costs were approximately $150 per meter whereas Questar would have charged up to $60,000. There are no administration fees whereas Questar would apply $4,500 annually for the first meter and $2,250 ($29,250 annual total) for each additional meter. Comparing the non-gas costs between Xcel and Questar as if the 12-pooled meters were on one meter, costs would be identical at approximately 30,000 Dth annually. The lack of heavy administration fees and telemetry costs enables customers to benefit on TS with annual consumption as low as 1,500 Dth.

The proposed Questar rates would have a detrimental impact eliminating any possible economic benefit for small TS customers. Furthermore, Questar would not allow for pooling at multiple locations, only meters that come off the same interconnect line that prohibits current and potential TS customers to obtain a "Large" customer classification. For example, we are aware of multiple facilities in Utah on the same side of the street and address that cannot be pooled or telemetered together due to Questar's strict requirements. The limitation blocks customers from obtaining larger consumption levels that would capture gain on the proposed rates. Finally, Xcel Energy provides a 30-day notice for TS application with the ability to implement TS the first day of any month.

Please see Exhibit 1.1-Multi State Cost Sheet

Q: Do any of the neighboring states to Utah ever intentionally interrupt customers in order to verify if they truly can be interrupted?

A: None of the utilities investigated require intentional interruption.

Q: How does Utah compare in relation to Competition Between Suppliers for gas purchasing?

A: Utah is not deregulated overall, although IS/TS allow for competition between suppliers. This competition will be reduced significantly if distribution rates are

increased as proposed in this case. This change is essentially re-regulating gas supply for small TS customers in Utah. Strict FS qualification requirements and proposed IS/TS rate modifications create a form of monopoly on Questar's GS rate.

IMPACTS

Q: Have your clients expressed concern about the impact this cost increase would have?

A: Utah school districts are going to see significant cost increases because of this proposed rate adjustment. One district was recently interviewed by a local television station and expressed that there would be an additional cost of between $50,000 and $100,000 annually. This represents the cost to employee three school teachers. Other customers have sent us requests asking for UCMC to "do anything you can to prevent this increase."

Please see Exhibit 1.2- Customer impact

EXTENSION

Q: Will there be complications next year directly related to deadlines to move either back to the FS or GS rates, or for larger customers to transfer to the TS rate?

A: Yes. Should this rate case be approved, it may not make sense financially for certain end users to remain on TS. Some of our customers are already being told by Questar representatives that this change is taking place. They are furthermore

being directed to move to the FS rate next year where Questar representatives have stated Questar provides better FS pricing than prices offered by alternative suppliers.~~,~~ In specific instances, account profile analysis demonstrates that these accounts do not meet the strict load factor criteria for FS and Questar is falsely representing the FS rate if dramatic changes are not applied to FS qualifications enabling more consumers to migrate to FS. Questar has been very clear with this customer base that the Company "may not allow them back on the GS rate." UCMC is therefore in a difficult position to be able to consult our customer base appropriately. UCMC proposes the commission consider an allowed time extension in the year 2014 to transition away from or to Transportation Service. This extension would give end users time to go through a thorough review process, and make the best decision for their facilities.

SUPPLEMENTAL TESTIMONY

Q. What are your recommendations?

A. I recommend adoption of perhaps the fairest QGC TS rate structure -- continue to charge the annual $4,500 administrative fee to differentiate between sizes of customer but eliminate any firm demand charge and then add a uniform rate charge to all TS customers irrespective of volume as is done for pipeline charges to the city gate. If that isn't adopted, the current

TS rate structure should be maintained as it is fairer to smaller TS customers than proposed rates. Any significant increase should be phased.

Q. Your recommendations are based on what conclusions?

A. An analysis of the proposed and current TS rate structures has led me to the following conclusions: (1) the huge differential in costs per dekatherm to smaller TS customers cannot be justified on a fairness basis; (2) if a small TS customer were to stop ordering gas, QGC costs would not decrease by the amount of the proposed charges to that customer; (3) the multiple of the proposed QGC transport charges per mile from the city gate over those to the city gate cannot be justified; (4) if the proposed TS rate structure were applied to the donut business, the costs of a donut to smaller customers would be unconscionable; and (5) QGC's assessment of firm demand charges to TS customers amounts to a double charge because those customers already have firm contracts with independent suppliers.

ANALYSIS

Q. What analysis did you perform?

A. Based on QGC current and proposed rates and information from Summit Energy that it is 28 miles from the city gate servicing Dunford, that it is 355 miles from the gas fields to the city gate and the cost of transporting gas to the city gate is $0.17832 per Dth, regardless of volume, I calculated QGS transport charges to five TS rate companies. I assumed that the five TS rate companies are located contiguously next to Dunford Bakers and one uses 10,000 Dths per year, one 20,000 (Dunford is closest to this level), one 200,000, one 2,000,000, and one 20,000,000 Dths.

Q. What did the analysis show?

A. Calculations, excluding any demand charges, showed that: (1) the total proposed QGC costs/charges per Dth, respectively, would be about $1.29, $0.98, $.38, $0.22, and $0.11 and the current charges would be about $0.74, $0.48, $0.25, $0.16, and $0.08, respectively; (2) under the current rate structure, QGC costs per mile to deliver gas to its largest customers from the city gate are about 5 times the costs of pipeline delivery to the city gate and that under the proposed TS rate structure that multiple in costs would jump to about 8 times as much cost per mile; (3) the multiple per transported mile costs noted in paragraph (2) above under the proposed TS rate structure would be about 92, 70, 27, 16, and 8, respectively and

under the current rate structure are about 53, 34, 17, 11, and 5, respectively; and (4) if Dunford charged its largest customers $1 per donut and were to apply the same methodology QGC is proposing, it would charge large customers about $2 each, smaller customers, $3 per donut, even smaller customers (similar in size to Dunford) $9, and the smallest customers about $11 per donut. Those prices would not be permitted or fair in the bakery industry and similar pricing should not be allowed for transporting gas under TS rates. How can a rate increase of 371% to smaller TS customers, the increase mentioned in the August 13 Technical Conference, be allowed?

Please see Exhibit 1.3-Dunford Analysis