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

SURREBUTTAL TESTIMONY OF BARRIE L. McKAY

FOR QUESTAR GAS COMPANY

January 7, 2014

QGC Exhibit 1.0SR

I. INTRODUCTION

Q. Please state your name and business address.

A. Barrie L. McKay, 333 South State Street, Salt Lake City, Utah 84111.

Q. Did you previously offer testimony in this proceeding?

A. Yes. I offered testimony on the infrastructure tracker and various company policies.

Q. Were your attached exhibits prepared by you or under your direction?

A. Yes.

Q. What general areas will your surrebuttal testimony address?

A. I will respond to the rebuttal testimony of Reed Ryan made on behalf of the Utah Asphalt Pavement Association.

Q. What parts of Mr. Ryan's rebuttal testimony will you be specifically addressing?

A. I will provide a history of the interruptible sales rate and discuss the cost of gas.

Q. In his testimony, Mr. Ryan makes the statement that "Principles of fairness, however, dictate a need to look at the entire history of this current tariff and its methodology.[1]" Can you provide this history?

A. Yes. The Company has had an interruptible sales rate in one form or another for decades. The predecessor to the IS rate was the I-4 rate. In his direct testimony in Docket 93-057-10, Alan Allred explained that "The Company will determine a market-based gas cost for the I-4 class each year based on commitments the Company receives for gas it intends to purchase for the next year.[2]" The intent was always to charge the Interruptible Sales class for the gas costs that they incurred on the system. The Company would purchase gas supplies and the interruptible sales class would pay for the cost of those supplies.

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1 UAPA Exhibit 1.0, lines 88-90.

2 Docket No. 93-057-01, Prepared DirectTestimony of Alan K. Allred, page 5.

Q. Mr. Ryan suggests that "for several years, IS customers were providing subsidies to other classes by purchasing natural gas at market prices above the cost-of-service gas being provided by QGC to the IS class." Do you agree?

A. No. This class of customers has paid the purchase price of the gas on a one-for-one basis. In other words, if the Company paid $5.00 per Dth for purchased gas, the IS customers paid $5.00 per Dth. There was no subsidy to other rate classes.

Q. Did this approach function well in the past?

A. Yes, it did. For nearly two decades, the Company purchased gas at market rates and sold the gas to the IS class at those same market rates.

Q. Why change the approach now?

A. The Company no longer needs to purchase any gas during the summer months. The volume of cost-of-service gas meets the needs of all sales customers' demands in the summer. As a result, Interruptible Sales customers are using cost-of-service production but paying market prices. The one-to-one relationship is lost.

Q. Mr. Reed says that UAPA's membership could not "afford to absorb such a [price] change and stay in business." Do you have evidence to suggest that the IS class has paid higher prices and has absorbed larger changes in the past?

A. Yes. QGC Exhibit 1.1SR shows the historical purchased gas prices for the past 30 years. As the graph shows, for six of the last twelve years, market prices were above the current WACOG price of $4.43 per Dth. The graph also shows that in some years, gas prices jumped nearly $2.00 per Dth and, on average it changed about $0.80 per Dth per year over the 30 year period. Since 2000, prices have changed, on average, $1.27 per Dth per year. These changes are all more dramatic than the $0.40 per Dth change calculated using rates from the most recent pass-through.

Q. Are there any potential benefits that Interruptible Sales customers would receive from the WACOG rate?

A. Yes. As the chart in Exhibit 1.1 SR shows, historically, Company-owned production has been lower and less volatile than the purchased gas prices. If history is any indication of the future, the Interruptible Sales customers could enjoy lower prices and less volatility.

Q. Does that 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.

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Barrie L. McKay

SUBSCRIBED AND SWORN TO this 7th day of January, 2014.

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Notary Public