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

SUREBUTTAL TESTIMONY OF AUSTIN C. SUMMERS

FOR QUESTAR GAS COMPANY

January 7, 2014

QGC Exhibit 4.0SR

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I. INTRODUCTION

Q. Please state your name and business address.

A. Austin C. Summers, 333 South State Street, Salt Lake City, Utah 84111.

Q. Did you previously offer testimony in this proceeding?

A. Yes. I previously offered cost of service, and rate design testimony in this proceeding.

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

A. Yes.

Q. What general areas will your testimony address?

A. I will respond to several issues in the rebuttal testimony of Ross Ford and the rebuttal testimony of Reed Ryan relating to the mains and services policy I proposed in my direct testimony.

Q. Will you please summarize your testimony?

A. Yes. Under the principle of cost causation, a customer that causes costs should pay for the costs. In my testimony, I will explain how the proposed main and service line policy correctly charges each new customer only for the equipment they need for gas service without longer-service-line customers subsidizing the shorter-service-line customers. My testimony will address the following main points.

Service Lines

- The proposed policy does not place an undue burden on any set of customers. In fact, the proposed policy applies cost causation more accurately.
- Increases in cost to a builder/developer, if any, will not cause a significant increase in the cost of the home.
- Costs of adding a new service line are shared fairly between Questar Gas Company (QGC) and the builder/developer.
- The proposed policy does not increase QGC's revenue.

- The meter and riser are necessary for service and the portion of costs to be borne by the builder/developer are fair.
- Builders/developers can take advantage of the Company's energy efficiency rebates to minimize costs and to give the new homeowner the benefits of lower utility bills.

Main Lines

- The proposed policy for main line extensions correctly shares costs between new and existing customers.
- Any customers currently under contract to receive a potential refund under the existing policy would remain eligible to receive the refund for the life of the existing contract.

II. SERVICE LINES

Q. Mr. Ford claims on line 104 that, "The proposed changes will place a greater burden on Questar customers in smaller-than average homes and/or customers with homes on relatively small lots with shorter main extensions and service lines." Is the length of a service line related to the size of a home?

A. No. A large home in a new neighborhood could certainly have a short service line. A small home could also be on a longer service line. The size of the home isn't the determining factor in the length of a service line. If a new development is zoned to have small setbacks, the service lines in that development will generally be shorter.

Q. Will you describe the relationship between the length of a service line and its cost to a new customer under the current policy?

A. Yes. The current policy for pricing service lines (including meters) charges each customer 100% of the costs, which can be offset by an allowance. The Company currently charges a customer for both internal and external costs, on a per foot basis. The new customer also currently pays for fixed costs including the meter and the riser. The Company then gives each new customer a standard allowance, which

reduces the total cost contributed by each new customer to get gas service. The allowance is not based on the length of the pipe or the total cost of the project. A customer installing a short service line would receive the same allowance as a customer installing a long service line. Since the allowance is fixed, allowances for customers with short service lines completely offset the cost of the line. Those customers have not made any cost contribution for the construction of those facilities. Allowances for customers with longer service lines, on the other hand, aren't enough to offset the cost of the service line, and those customers pay for their lines. This creates a subsidy. The table below shows the differences in how a 15 foot and a 100 foot service line would be charged under the current policy. Since they both receive the same allowance, the longer service line is paying more than the shorter line.

Current Policy - Service Lines

15 foot SL		100 foot SL	
15' of 3/4"	277	100' of 3/4"	1,847
Meter	281	Meter	281
Riser Assembly	72	Riser Assembly	72
Subtotal	630	Subtotal	2,200
Allowance	781	Allowance	781
Cost of Project	-	Cost of Project	1,419
cost per foot	-	cost per foot	14.19

The chart above also shows that there are some fixed costs (those that do not vary with the length of the line), such as the meter and riser, and that there are some variable costs. The allowance is also fixed and does not vary with changes in the length of the line.

Q. Does the current policy cause those installing longer service lines to subsidize those who are installing shorter service lines?

A. Yes. The customers with longer service lines are paying far more per-foot than those with shorter service lines.

Q. Will you describe the relationship between the length of a service line and its cost to a new customer under the proposed policy?

A. Yes. The proposed policy charges each customer specifically for the line they install, along with the required riser and meter. The Company will no longer charge a new customer for internal costs and will no longer offer an allowance.

Q. What effect does this have on the 15 and 100 foot service lines you discussed under the current policy above?

A. Without a standard allowance, we can look at variable costs and fixed costs separately. The table below shows that in the proposed policy, the Company would charge each new customer the same amount for both the variable and fixed costs directly related to the project.

Proposed - Service Lines

15 foot SL		100 foot SL	
15' of 3/4"	142	100' of 3/4"	947
Meter	184	Meter	184
Riser Assembly	72	Riser Assembly	72
Subtotal	398	Subtotal	1,203
Allowance		Allowance	
Cost of Project	398	Cost of Project	1,203
Variable cost/ft	9.47	Variable cost/ft	9.47
Fixed (meter/riser)	256	Fixed (meter/riser)	256

Q. Does the scenario above change when you include the energy efficiency (EE) rebates that were recently approved in Docket No. 13-057-14, and that were identified in your direct testimony?

A. If the builder in each of the two scenarios above were to install a 95% efficient furnace and a Tier 1 water heater, they could each save $400 on the cost of the total meter and service line. The resulting costs to each customer are shown in the table below.

Proposed - Service Lines with Energy Efficiency Rebates

15 foot SL		100 foot SL	
15' of 3/4"	142	100' of 3/4"	947
Meter	184	Meter	184
Riser Assembly	72	Riser Assembly	72
Subtotal	398	Subtotal	1,203
Energy Efficiency Rebates	400	Energy Efficiency Rebates	400
Cost of Project	(2)	Cost of Project	803

Q. Will the increased costs to the short service lines prevent the sale of a new home?

A. No. Using UHBA exhibit 1.3, I calculated that the largest increase in costs for a new service line if the builder were to install an efficient furnace and water heater would only be $104.20. Adding this amount to a mortgage would only increase the monthly payment by $0.53. This calculation does not take into consideration any savings to the customer from reduced energy use. A new customer that installs a 95% efficient furnace and a tier one water heater would save 12.9 Dth each year. At current rates, that customer would save $105/year.

Q. Does the proposed policy share service line costs approximately 50/50 between new and existing customers?

A. Yes. As I said in lines 530 – 535 of my direct testimony, the current external cost of a service line is $9.46 per foot, and the internal cost is $9.00 per foot. So for each $9.46 the new customer would pay the Company would contribute $9.00 or 48.8%.

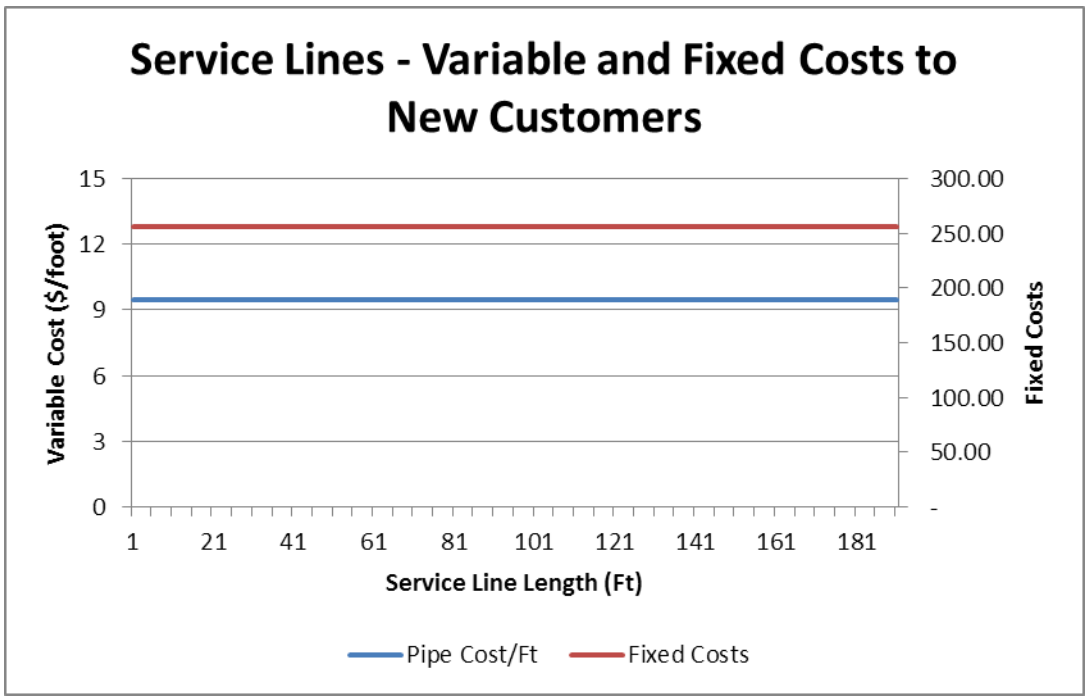
Q. Are the fixed costs also shared equally?

A. Yes. The fixed costs associated with a new construction include the meter and a riser. In 2013, a standard meter cost $184 for materials. This is the portion the new customer would pay. The Company would pay for internal costs, such as those associated with labor. In 2013, internal costs were $172. In other words, for each meter installed, a new customer would be expected to pay for 51.7% of the costs. Risers are similar in that the new customer would only pay for the materials. A typical riser charged to the new customer would be about $72 of the total cost of

115 $125, or 57.6% of the total cost.

116 **Q. Does the new policy treat all customers equitably?**

117 A. Yes. The chart below shows that no matter the length, each customer is paying the
118 same for variable and fixed costs.



119 **Q. Mr. Ford claims that the proposed policy increases Questar Gas' revenue. Do**
120 **you agree?**

121 A. No. Mr. Ford claims that new customers will be paying more for meters, which will
122 increase Questar Gas' revenue. However, if there was a situation where new
123 customers (in total) contributed more than they would have under the current policy,
124 it would actually reduce the Company's revenue. When a contribution is received
125 from a new customer, it is not treated as revenue. It is treated as a reduction to rate
126 base. When rate base is reduced, revenue in future periods is also reduced.

127 **Q. Mr. Ford proposes that the meter should be free to each new customer because**
128 **"the gas meter and related facilities are clearly Questar property and are**

necessary for Questar to generate profits through provision of gas service." Do you agree with this statement?

A. No, nor does it make sense. The meter, mains and service lines are all necessary to provide natural gas service. QGC is asking new customers to contribute a portion of all necessary system investments, including mains, service lines, and meters.

Q. If customers did not pay for the meter, who would?

A. If new customers were to receive a "free" meter, then the Company's capital budget would fund the purchase of the meters. These capital expenditures would be included in rate base and would increase the rates to all other customers on the system.

Q. Under the proposed policy, will existing customers already be paying for part of the new meter?

A. Yes. Under the proposed policy, existing customers would pay about half the cost through rate base. Changing the policy to include the entire meter would assign 100% of the costs to the existing customers. Thus, the party who caused the cost would not pay any of the cost.

Q. Will you summarize why the proposed policy is an improvement over the current policy?

A. The current policy does not treat each customer the same because the allowance is a fixed amount. Currently, there is a subsidy occurring between new customers with shorter service lines and new customers with longer service lines. The proposed policy eliminates this subsidy. A new customer with a shorter service line will still pay less in total than a customer with a longer service line because its service line is shorter. On a per-foot basis, both customers will be paying the same amount. Additionally, a new customer is incented to install energy-efficient equipment, thus reducing the required contribution-in-aid-of-construction even further.

III. MAIN LINES

Q. Is the Company's proposed policy for mains the same as the proposed policy for service lines?

A. Yes. There will no longer be any allowances for main lines, and customers will only be charged for the external costs directly related to the main installation.

Q. Are the costs for main lines also shared on a 50/50 basis between the new customer and the existing customers?

A. Yes. Again referring to lines 530-535 of my direct testimony, a new customer would only be asked to pay $6.83 per foot of main (using 2013 costs) and the cost to the Company would be $7.00 per foot. The new customer would pay for 49.4% of every foot of main line that is installed.

Q. The testimony of Reed Ryan raised a concern regarding main lines that have been installed and still qualify for refunds. Would these refunds still be provided?

A. Yes. Any main lines installed prior to the implementation of this policy would still receive any applicable refunds during the applicable five year period.

Q. Does this conclude your testimony?

A. Yes.

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

I, Austin C. Summers, 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.

_____
Austin C. Summers

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

_____
Notary Public