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. 16-057-03

DIRECT TESTIMONY OF

BARRIE L. McKAY FOR

QUESTAR GAS COMPANY

July 1, 2016

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 in Utah, Idaho 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 1.13. 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 order in Questar Gas' general rate case in Docket No. 13-057-05, Questar Gas Company is filing a general rate case by July 2016. My testimony will also describe the commitments agreed to in the Partial Settlement Stipulation and the directives the Utah Public Service Commission (Commission) ordered in the last general rate case. Additionally, Questar Gas is seeking rate relief for its capital expenditures, including return, depreciation, property taxes, and expenses related to pipeline integrity compliance.

Other issues that my testimony will describe include: the Company's request that the Infrastructure Replacement-Adjusted Tracker (Infrastructure Tracker or Tracker) be continued; a brief overview of the proposed merger with Dominion; and the test period that the Company believes best reflects the rate-effective period.

Additionally, I will introduce the Company's witnesses who will support the proposed return on equity of 9.85% and overall cost of capital of 7.49%, the proposed test period, the revenue requirement, the cost-of-service and rate-design proposals, and proposed changes to the Company's Utah Tariff (Tariff).

Q. Why is the Company filing a general rate case at this time?

A. In Questar Gas' last general rate case in Docket No. 13-057-05 the Commission approved a Partial Settlement Stipulation that provided "…the Company will file its next general rate case no later than July 1, 2016." (Partial Settlement Stipulation, paragraph 26). In addition to this requirement, the timing of this case is driven primarily by the Company's ongoing investment in infrastructure. Questar Gas' projected 2017 average rate base in this case represents a $400 million increase over the approved rate base in Docket No. 13-057-05. 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.

Q. Were there other commitments or directives agreed to by stipulation and/or ordered by the Commission in the Report and Order in Docket No. 13-057-05 dated February 2, 2014 (Order)?

A. Yes. I have identified seven: 1) the study of main and service extension policy (Order, Section V, paragraph D.); 2) the evaluation of issues related to self-installation of pipelines (Order, Section V, paragraph F); 3) the requirement to include depreciation study updates in customers rates (Partial Settlement Stipulation, paragraph 29); 4) the study of IS and TS issues such as meter aggregation and FS load factor (Partial Settlement Stipulation, paragraph 28); 5) the commitment to provide revenue neutral percentage changes for each rate schedule based upon the Company's cost-of-service study in the next general rate case (Partial Settlement Stipulation, paragraph 27); 6) the requirement to provide specific reports related to the Infrastructure Tracker (Partial Settlement Stipulation, paragraph 22); and 7) the commitment to explore potential changes to interruption of transportation customers and other issues related to transportation service (Partial Settlement Stipulation Regarding TS Tariff Language, paragraph 8).

Q. Please explain how these directives have been accomplished.

A. The table below provides a summary

Directive	Result
1) Study main and service extension policy	Resolved pursuant to the Order Addressing Pilot Program in Docket No. 13-057-05 issued on June 11, 2015
2) Evaluate issues related to self-installation of pipelines	Resolved pursuant to the Order Addressing Pilot Program in Docket No. 13-057-05 issued on June 11, 2015
3) Include depreciation study updates in customers' rates	Resolved in Docket 13-057-19, In the Matter of the Application of Questar Gas Company for Authority to Change its Depreciation Rates

4) Study IS and TS issues such as meter aggregation and FS load factor in interim workgroups	See discussion in the testimony of Austin Summers QGC Exhibit 4.0
5) Provide revenue neutral percentage changes for each rate schedule based upon the Company's cost-of-service study in the next general rate case	See QGC Exhibit 4.6, page 2
6) Provide specific reports related to the Infrastructure Tracker	See Barrie L. McKay testimony, QGC Exhibit 1.0, Section V
7) Explore potential changes to interruption of transportation customers and other issues related to transportation service	See Docket No. 14-057-19, In the Matter of the Formal Complaint Against Questar Gas Company Regarding Nomination Procedures and Practices for Transportation Service Customers, and Docket No. 14-057-31, In the Matter of the Application of Questar Gas Company to make Tariff Modifications to Charge Transportation Customers for Use of Supplier Non-Gas Services

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, General Manager of the State Regulatory Affairs Department for Questar Gas, will provide testimony that proposes the test period that best reflects the conditions that will exist during the rate-effective period and discusses the revenue requirement for the proposed test period.

Mr. Austin C. Summers, Supervisor in the Regulatory Affairs Department for Questar Gas, will provide testimony supporting the Company's cost-of-service model and rate design for all rate classes.

III. BACKGROUND

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

A. Our employees take pride in our reputation for providing safe and reliable natural gas service. Questar Gas has invested significant capital over the past few years to reinforce and upgrade its distribution system. This investment has enabled Questar Gas to meet its record demand of recent years. Factors such as aging infrastructure, number of customers, and growing peak-day/peak-hour 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. The Company expects to add an average of about 20,000 customers per year and anticipates it will add its one millionth customer some time later this year. 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 2016 and 2017. The boxes at the bottom of each bar show the number of complaints we have received from new customers claiming service connections were not made in a timely manner. The small number of complaints shows that overall Questar Gas is meeting new customer requests for service.

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

A. QGC Exhibit 1.3 depicts the number of customers served per employee from 1988 through 2015. 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.gov/naturalgas/monthly/?src=email. It includes the average residential natural gas prices by state on a trailing 12-month basis. On an annual 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. Questar Gas' efficient operations are 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 annual reports with Utah regulators showing our performance in many areas of customer service including call handling, meter-reading accuracy and emergency-response times. Our standards were established with input from regulators. Our performance consistently exceeds almost every service standard and most of our results have improved each year. QGC Exhibit 1.5 summarizes these results for selected service standards. Questar Gas' employees 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 Cicero Group surveys a random sample of all customers including those who have called Questar Gas for service, or had in-home 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 the customers' overall satisfaction with Questar Gas. QGC Exhibit 1.6 shows survey results since 2009 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 2015 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 "favorable" or "very favorable." Only 4 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 Company's proposed test period in the rate case?

A. The Company is proposing an average 12-month test period ending December 31, 2017. 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 3.9 shows that for the last five years the Company's capital expenditures and O&M expense have been, on average, within 96.7% and 99.0%, respectively, of forecasted levels. Overall, the Company's budgeting and planning process has been accurate and reliable.

V. INFRASTRUCTURE TRACKER

Q. Would you please describe the Infrastructure Tracker?

A. Yes. The Infrastructure Tracker was approved as a pilot program by the Commission in Docket No. 09-057-16 and Docket No. 13-057-05, subject to review in the Company's next general rate case. The description and requirements of the Infrastructure Tracker are provided in Section 2.07 of Questar Gas' Tariff. Replacement Infrastructure, as approved in the above mentioned dockets, is defined as new high-pressure and intermediate high-pressure infrastructure that is replacing aging high-pressure and intermediate high-pressure infrastructure as required to ensure public safety and provide reliable service. 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. Annual Replacement Infrastructure investment is limited to $65 million, adjusted annually for inflation. 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. The Tracker was approved in Docket No. 09-057-16 and Docket No. 13-057-05 as a pilot program. Over that time, has the Tracker successfully functioned as intended?

A. Yes. The Tracker has facilitated the successful and expedited replacement of aging pipe, ensuring the continued safety and reliability of Questar Gas' distribution system. The Tracker reporting framework allows for increased transparency in reviewing and understanding investment decisions made by the Company. It eliminates the risk of forecasting errors because rate adjustments occur only when projects are complete and the new pipe is placed in service. In addition, the Tracker reduces the pressure for more frequent, costly general rate cases driven by significant capital expenditures. These are the benefits that were anticipated when the Tracker was originally proposed and approved.

Q. Has the Company followed the scope and intent defined in the two dockets mentioned above?

A. Yes. In Docket No. 09-057-16 the Company defined the type of infrastructure that would be scheduled for replacement under the Tracker. In testimony and presentations to the Utah Division of Public Utilities (Division), the Office of Consumer Services (Office), and the Commission, the Company provided a list of pipelines that would be replaced. The Company also explained that "[t]his is not one, neat, tidy project that can be identified and completed within the framework described in § 54-7-13.4. Replacing this type of aging infrastructure will take many years and will occur incrementally throughout that period."[1] In that case the Company explained it was still in the process of identifying the specific pipe segments that would be scheduled for replacement, and that the situation was dynamic.[2] Parties agreed to Tariff language that allowed for schedule and prioritization changes.[3] Pursuant to Commission order, the Company reports on which pipelines would be replaced in the upcoming year, how much is spent on these replacements in comparison to the $55 million cap. During the three years following this initial implementation (2011-2013), the Company completed the replacement of hundreds of thousands of feet of high pressure feeder lines and complied with the reporting and spending requirements established in Docket 09-057-16. [4] The Division's audit of the program following this initial three-year period found that "the Company has fulfilled the reporting requirements as stated in the tariff" and "the program is beneficial to both ratepayers and shareholders." [5]

Q. What changed in Docket No. 13-057-05?

A. Following this initial three-year period, the Infrastructure Tracker was expanded to include 70 miles of specified intermediate high pressure (IHP) belt mains and the annual spending cap was increased to $65M adjusted for inflation. In addition, the Company agreed to further enhance the reporting of pipeline replacement and scheduling as it developed its "Master Lists" of high pressure (HP) and IHP pipelines and criteria used in developing

[1] Docket No. 09-057-16, QGC Exhibit 1.0, Direct Testimony of Barrie L. McKay page 13.
[2] February 10, 2010 Technical Conference, Docket No. 09-057-16.
[3] Tariff Section 2.07.
[4] 2011-2013 spending cap ($55M plus inflation) was $183M compared to actual spending of $172.4MM.
[5] Infrastructure Tracker Pilot Program Report, dated June 17, 2013, Division of Public Utilities.

replacement schedules. The Company continues to work with regulators to improve the reporting and transparency of this program.

Q. Based on these updates and schedules described above, has the Company met its projections shown in its annual budget each year?

A. Yes. Although the projections provided in November of each year require forward-looking assumptions concerning complex situations, the Company is pleased to have been within 1.4% of budgeted annual spending since 2013.

	Budget	**Actual**	**Variance**
2013	$59,000,000	$54,890,577	($4,109,423)
2014	65,000,000	68,233,344	3,233,344
2015	62,866,656	66,425,036	3,558,380
Total	$186,866,656	$189,548,957	$2,682,301
% Variance			**1.44%**

Q. In the past three years has the number of natural gas utilities with infrastructure replacement programs continued to increase?

A. Yes, as more natural gas utilities have addressed the need to replace aging and/or non-compliant 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 79 natural gas utilities in 102 service territories and 38 states have implemented programs to address the replacement of different varieties of infrastructure[6].

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

A. Yes. The current estimated replacement schedule for HP and IHP pipe demonstrates that replacement will continue at least through 2030. The Company believes that the Tracker, which has been tested, refined, and improved over the past six years, continues to be the best option for addressing this type of substantial ongoing investment.

B. Spending Level and Variance

Q. Is the Company proposing any changes to the spending level calculation that is allowed annually in the Tracker?

A. No. The Company proposes to continue the current methodology of adjusting the annual cap by inflation using the GDP deflator. The current spending cap of $65 million adjusted for inflation results in $68 million in 2017, as shown in QGC Exhibit 1.7, column F, line 4. The Company proposes that this amount be established as the new base in 2017, with future years being adjusted for inflation. The Company recognizes that the final 2017 budget of $68 million will be reduced by $4 million pursuant to Commission Order in Docket No. 15-057-19. However, the 2018 budget would be calculated as $68 million adjusted for an additional year of inflation.

[6] American Gas Association Report, "State Infrastructure Replacement Activity" dated June 22, 2016.

Q. In recent years the Company has had some budget variance over the calculated spending cap. Is the Company proposing a method to treat such spending variances going forward?

A. Yes. Over the years the Company has experienced spending variances that are typical and expected with these types of construction projects. Some years have been under budget while some have been over. In addition, there have been projects that have been added to the scope of replacement work during the budget year that had not originally been included in the budget. This occurred in 2016 with the Feeder Lines 51 and 89. The Partial Settlement Stipulation did not address how budget variances would be treated.

Q. Please summarize the proposal.

A. To the extent there are spending variances in the annual budget, the Company is proposing to adjust for the variance in the infrastructure replacement surcharge calculation. Exhibit 1.8, which is the calculation of the revenue requirement used in every Tracker filing, shows the proposed adjustments for hypothetical budget variances for years 2017 and 2018. In years when spending exceeds the allowed cap there would be a reduction to the Tracker investment used in the rate base calculation the next time the Company seeks to adjust the surcharge. In this example the Company spends $2 million over the cap in 2017. Row 3 shows the $2 million reduction to rate base.

In years when the Company's annual spending in the Tracker program is below the allowed spending cap, to the extent that the accumulated underspent amount is less than the accumulated overspent amount, the amount underspent will be netted against overspent amounts. Row 4 shows an adjustment for $1 million for an assumed underspent amount in

2018. If there is no overspent amount there would be no adjustment to rate base when actual spending is lower than the cap. The overspent amount would not be recovered in rates until the next general rate case.

Q. Would the Company continue to track and report all of the spending for these projects separately as it currently does?

A. Yes, the Company would continue to track and report all of the investment including those dollars that are over the spending limit. The only change would be the adjustment to the revenue requirement calculation discussed above.

Q. In recent years variances have been addressed by reducing the budget of the following year. Why is the Company proposing different treatment?

A. There are some negative planning and operational impacts of reducing the planned budget in a given year. By nature these projects involve coordination with many constituents including governmental entities, cities, counties, contractors, customers, employees and other stakeholders. It can be detrimental to efficiencies and relations with these constituents to adjust the schedule after the plan is in place and construction is underway. The Company believes that because of the complex and consequential nature of these projects, customers and other constituents are best served by allowing the construction schedule and budget to go forward as planned while managing budget variances as an adjustment in regulatory filings. The objective is to replace the identified infrastructure in a timely, effective manner while stabilizing the rate impact on customers.

C. Reporting

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

A. In November 2013, 2014 and 2015, 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 2014, 2015, and 2016, Company representatives (regulatory personnel, project managers and engineering personnel) met with representatives from the Commission, the Division, and the Office in publicly-noticed meetings and explained the 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.

Q. Please describe the other reports provided each year.

A. Pursuant to the Report and Order approving the Partial Settlement Stipulation in Docket No. 13-057-05, Questar Gas has provided updated copies of its HP and IHP Master Lists and Replacement Schedules. The Master Lists provide a snapshot of pipe in service by size, vintage year, and feeder line in the case of HP or county in the case of IHP.

Q. Do these reports inform parties of progress on the Tracker?

A. Yes. These reports provide the annual progress of replacing scheduled pipe and context for the amount of identified pipe remaining on the schedule in upcoming years. An evaluation of the change in the Master List for feeder lines and belt mains scheduled for replacement since the last general rate case reveals that the Company has replaced approximately 55 miles of HP pipe and 12 miles of IHP pipe. This compares to approximately 369 miles of HP and 58 miles of IHP pipe remaining to be replaced in future years.

Q. Are these reports subject to revisions?

A. As the Company continually learns more about the pipe in its system by evaluating records, conducting tests, and addressing needs throughout the distribution system, the Master Lists are subject to revision. The lists represent a snap shot of the system using the most accurate and up-to-date information the Company has, but it should be acknowledged that these lists are not engraved in stone.

In addition, each project is unique and as such the current replacement schedule 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 constraints and development projects including proposed street-widening projects. Although the replacement schedule may vary for any or all of these reasons, annual expenditures should remain approximately the same.

The Company notes that there are other types of infrastructure such as Aldyl-A pipe, IHP steel pipe and other portions of the IHP system not included on these schedules that may, at some point in the future, also require accelerated replacement. The Company continually evaluates all infrastructure, both inside or outside of the Tracker, to ensure safety and reliability of service.

Q. Is the Company using the same evaluation criteria for the High Pressure and Intermediate High Pressure replacement schedules that were approved in the last general rate case?

A. Yes. The Company described its criteria for prioritizing and scheduling replacement in Attachments 4 and 5 of the Partial Settlement Stipulation in Docket No. 13-057-05. These are included as QGC Exhibits 1.9 and 1.10 respectively. The evaluation criteria outlined in these exhibits have not changed.

Q. When did the Company last update its HP Master List?

A. The Company provided the Commission with its HP Master List in April of 2016.

Q. Please explain the changes that occurred in the HP Master List related to the Tracker since the last general rate case.

A. Exhibit 1.11 is a summary of these changes. Column A lists each feeder line included in the Tracker program. Column B is a summary of the footage included in the 2013 HP Master List.[7] Column C is a summary of all the footage replaced/retired from 2013 to 2015. Column D shows differences that occurred during an update of the mapping program that are due to some data conflation and translation variances. Column E shows differences in

[7] Provided as Attachment 6 of Partial Settlement Stipulation to Docket No. 13-057-05

footages in two feeder lines that occurred due to data corrections. Column F is the footage remaining to be replaced in the Tracker. [8]

Q. Please explain the data corrections in Feeder Line 38 and Feeder Line 97 shown in column E.

A. A review of our mapping database revealed that the 15,913 feet (line 47) were not included on Feeder Line 38 in the 2013 Master List because the data was not properly queried and the footage was omitted. This was corrected prior to the 2015 HP Master List update. The 5,600 feet (line 66) in Feeder Line 97, which is the Feeder Line from the old Utah Gas system, were incorrectly entered into the database with an installation date of 2001 (the date Questar Gas purchased the Utah Gas system) rather than 1963 (installation date). The Company found this error and corrected the date to reflect 1963. Because these were footage corrections rather than additional feeder lines the Company believes that they should be included in the Tracker Program footage.

Q. Have there been any changes to the Intermediate High Pressure Master List since the last general rate case?

A. The only changes are those that reflect pipeline retirement due to the replacement of belt lines. QGC Exhibit 1.12 provides a summary of the retirement footages.

Q. Will future pipeline regulations require the Company to expand its pipeline replacement program?

[8] Provided in the April 2016 filing with the Commission.

A. Possibly. On August 25, 2011, the Pipeline Hazardous Materials Safety Administration (PHMSA) issued an advanced notice of proposed rulemaking for rules related to the Safety of Gas Transmission and Gathering Lines. Because this proposed rule represents the most comprehensive pipeline safety requirements proposed since 1970, it has become known as the "Mega Rule." If the Mega Rule is adopted, it would impose additional requirements for monitoring gas quality, mitigating internal corrosion, and managing external corrosion. It would create a new "moderate consequence area" definition and would impose a number of monitoring, corrosion management and mitigation, documentation and repair criteria for pipelines within such areas. PHMSA is currently accepting comment on the proposed Mega Rule. The Company expects that the Mega Rule will become final, in some form, later this year. When it does, the Company expects that its requirements will result in new and additional costs for most local distribution companies, including Questar Gas. It may also result in the expedited need to replace pipelines that, to date, are not included in either the HP Master List or the IHP Master List.

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 and identified beltline Replacement Infrastructure that is in service has 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 requiring infrastructure to be in service 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. The Company has made three filings since the last rate case to change the surcharge, one in 2014 and two in 2015.

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 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, 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 the most recent general rate case.

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 in Docket No. 09-057-16 the Company identified the separate sub-accounts that would be used to track cost associated with 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.

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 taxes that were separately identified in the Tracker filings and that have been separately tracked since the last general 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. Mr. Mendenhall's QGC Exhibit 3.31, Tariff section 2.02 GS Rate Schedule illustrates this reset. 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 2017 test period, at what point in time will replacement investment for feeder lines and IHP beltlines begin to be included in the Infrastructure Tracker?

A. Based on an average 2017 test period, any investment above $91.8 million that is put into service on or after January 1, 2017, should be included in the Tracker. The Company notes that it is proposing an average 2017 test period with a starting point that assumes $70.9 million of investment in HP Feeder Line and IHP beltline replacement in 2016. If this level of investment is not reached by year-end 2016, then tracking of 2017 incremental investment of Replacement Infrastructure should not begin until the $70.9 million of investment has been reached. Additionally, the effective date of an incremental surcharge related to the Tracker should be on or after March 1, 2017. 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 Replacement Infrastructure will include evidence showing that these two limiting criteria have been followed. Attached as QGC Exhibit 1.13 is a summary of the Replacement Infrastructure that the Company has included in its 2016 and 2017 capital budget and is the basis for the amount included in the 2017 average test period. (See column C, line 28). This calculation uses the same methodology that was used in the 13-057-05 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.

VI. DOMINION RESOURCES, INC AND QUESTAR CORPORATION MERGER

Q. Please provide the status of the proposed merger of Questar Corp. and Dominion Resources, Inc.

A. On March 3, 2016 Questar Gas and Dominion Resources, Inc. filed a Joint Notice and Application in Docket 16-057-01 seeking approval of a proposed transaction whereby Questar Gas' parent, Questar Corporation, will become a wholly-owned subsidiary of Dominion Resources (Merger). Hearings for that docket are scheduled for August 22, 2016.

Q. How does the Merger impact the proposals in this rate case?

A. The current revenue requirement was calculated as though the Merger would not take place. The Joint Applicants in Docket No. 16-057-01 are currently analyzing the effects the Merger may have on expenses; however, costs are not expected to increase as a result of the Merger.

Q. Is the Company including any transition or transaction costs related to the Merger in the calculation of the revenue requirement?

A. No. Transaction costs are not and will not be included in the revenue requirement. If approved by the Commission, transition costs in Docket No. 16-057-01 will be deferred in a separate account and will not be included in the calculation of the revenue requirement in this docket.

VII. 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. We recommend that the Commission approve the proposed revenue requirement, rates and Tariff changes described in the Company's application and testimony.

Additionally, the Company recommends the Infrastructure Tracker be continued.

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.

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Barrie L McKay

SUBSCRIBED AND SWORN TO this _____________.

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Notary Public