

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders	Docket No. 05-057-T01
---	-----------------------

**SURREBUTTAL TESTIMONY OF RUSSELL A. FEINGOLD
TO SUPPORT THE CONTINUATION OF THE CONSERVATION ENABLING TARIFF
FOR QUESTAR GAS COMPANY**

August 31, 2007

1 **Q. Please state your name and business address.**

2 A. My name is Russell A. Feingold and my business address is Four PPG Place, Pittsburgh,
3 Pennsylvania 15222.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am a Managing Director of Navigant Consulting, Inc. (“NCI”) and co-leader of the
7 Litigation, Regulatory & Markets Group within the firm’s Energy Practice.

8
9 **Q. Have you previously filed testimony in this case?**

10 A. Yes. I filed Rebuttal Testimony in this case on August 8, 2007.

11

12 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

13 A. The purpose of my surrebuttal testimony is to respond to certain of the points raised by Dr.
14 David E. Dismukes, witness for the Utah Committee of Consumer Services (the
15 “Committee”) in this proceeding, concerning the currently-effective Conservation Enabling
16 Tariff (“CET”) of Questar Gas Company (“Questar” or the “Company”). Specifically, I will
17 respond to Dr. Dismukes’ rebuttal testimony filed on August 8, 2007 where he comments on
18 recent activities in the utilities industry related to revenue decoupling mechanisms and
19 addresses the Company’s request to modify certain design elements of its current CET
20 mechanism.

21

22 **Q. How do you respond to the point raised by Dr. Dismukes that the National Association**
23 **of State Utility Consumer Advocates (“NASUCA”) recently passed a resolution that**
24 **supported the adoption of energy efficiency programs but opposed revenue decoupling**
25 **mechanisms?**

26 A. As I pointed out in my Rebuttal Testimony, the views expressed in NASUCA’s Resolution
27 are not universally shared by all utility consumer advocates. Moreover, I believe the
28 issuance of this Resolution has little relevance here because it is being greatly overshadowed
29 by the industry-wide initiatives on revenue decoupling that I spoke of in my Rebuttal
30 Testimony. Today there are eleven (11) states that have approved revenue decoupling and

31 fourteen (14) additional states currently addressing revenue decoupling issues. The growing
32 number of utility proposals and regulatory initiatives that I discussed in my Rebuttal
33 Testimony underscores the recognized importance of revenue decoupling with the increased
34 offering of energy efficiency and conservation programs to utility customers.

35

36 **Q. Do you agree with Dr. Dismukes' suggestion that if the current revenue cap is**
37 **eliminated under the Company's CET that "rapid revenue decoupling balance build**
38 **ups" will occur like what he claims was experienced in Maine in the early 1990s and**
39 **more recently in North Carolina?**

40 A. No. I believe the elimination of the revenue cap associated with the Company's CET will
41 not create the kinds of revenue deferral balances that Dr. Dismukes attributes to the design of
42 the revenue decoupling mechanisms approved in Maine and North Carolina. Under the
43 Company's current CET, amortization of the revenue balance associated with the CET will
44 occur no less frequently than semi-annually. With the revenue decoupling mechanism in
45 Maine, the combination of an annual amortization of revenue balances and the regulatory
46 commission deciding not to implement the true-up aspect of the revenue decoupling
47 mechanism (choosing instead to further defer the unrecovered electric revenues to a future
48 time period) created the large revenue deferral balances. In my opinion, the Maine
49 experience with revenue decoupling in the 1990s that led to large deferral balances could not
50 have been sufficiently addressed through the use of a revenue cap in the design of the utility's
51 revenue decoupling mechanism. As I discussed in my Rebuttal Testimony, the deferred
52 recovery process chosen in Maine, and not the design of the revenue decoupling mechanism
53 itself, caused the problem of the growing level of revenue deferrals.

54 In North Carolina, under the Customer Utilization Tracker of Piedmont Natural Gas
55 Company ("PNG"), the utility reflects in its revenue decoupling mechanism the revenue
56 impacts of both weather and non-weather related changes in use per customer since it does
57 not have a Weather Normalization Adjustment ("WNA") mechanism. As a result, it is to be
58 expected that the revenue deferral balances for PNG would be of a greater magnitude
59 compared to those utilities with revenue decoupling mechanisms that address only non-
60 weather related changes in use per customer. For example, it is my understanding that PNG

61 had a revenue decoupling balance in its deferral account (as of May 2007) that was equal to
62 approximately \$35 million, or 12% of its annual distribution margin revenues. In contrast,
63 Questar Gas had a balance in its CET deferral account (as of April 2007) that was equal to
64 approximately \$3.2 million, or 1.5% of its annual Distribution Non-Gas (“DNG”) revenue.
65 Finally, it should be noted that the North Carolina Utilities Commission has approved every
66 one of PNG’s bi-annual filings to adjust rates under its Customer Utilization Tracker since
67 the rate mechanism was approved in November 2005.

68

69 **Q. Does this conclude your surrebuttal testimony?**

70 **A. Yes, it does.**