

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

REGARDING THE APPLICATION TO
REMOVE GSS AND EAC RATES FROM
QUESTAR GAS COMPANY'S TARIFF

Docket No. 06-057-T04

REBUTTAL TESTIMONY OF GARY ROBINSON
FOR QUESTAR GAS COMPANY

February 2, 2007

QGC Exhibit R 1.0

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

2 A. My name is Gary L. Robinson. My business address is 180 East First South Street, Salt Lake
3 City, Utah.

4
5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Questar Gas Company (QGC or Company) as Supervisor of State
7 Regulatory Affairs. I am responsible for state regulatory matters in Utah and Wyoming.

8
9 **Q. Attached to your written testimony are Exhibits QGC R1.1 through R1.3. Were these
10 prepared by you or under your direction?**

11 A. Yes.

12
13 **Q. What are your qualifications to testify in this proceeding?**

14 A. I have listed my qualifications in Exhibit QGC R1.1.

15
16 **Q. What is the purpose of your testimony in this Docket?**

17 A. The purpose of my testimony is to summarize what I believe is the main issue before the
18 Commission, to comment on the assertions and conclusions of Marlin H. Barrow of the
19 Division of Public Utilities (Division) in his direct and supplemental testimony, and to rebut
20 Daniel E. Gimble of the Committee of Consumer Services (Committee) in his direct
21 testimony in this docket regarding the elimination of the GSS and EAC rates. I also provide
22 rebuttal to one aspect of the testimony of Elizabeth A. Wolf of Salt Lake Community Action
23 Program (SLCAP).

24

25 **I. INTRODUCTION**

26

27 **Q. Please explain what GSS and EAC rates are, how many customers are on these rates,
28 and what the incremental revenues are that these customers pay?**

29 A. A more complete history and discussion of the development of these rates is included in the
30 General Background section of the Application (pages 2-5) but I will summarize these rates
31 here.

32
33 GSS is an expansion area rate schedule for residential and small commercial customers in the
34 state of Utah that collects about double the amount of non-gas revenues per Dth than the
35 regular GS-1 rate schedule. There are currently about 7,000 customers in central and
36 southwestern Utah that take service on this rate schedule.

37
38 EAC stands for Extension Area Charge. EAC is a monthly, per-customer charge to
39 customers in nine expansion areas in rural areas throughout the state of Utah. The amount of
40 the monthly EAC varies from \$16.50 to \$30.00 per customer. There are currently about
41 1,600 customers paying an EAC in addition to regular GS-1 rates.

42
43 The total amount of non-gas revenue collected from the GSS and EAC customers over and
44 above GS-1 rates is approximately \$1,700,000 per year as explained by Mr. Barrow in his
45 testimony and shown in MHB Exhibit 1.2 (\$1,200,000 from the GSS and \$500,000 from the
46 EAC). The current GSS customers have paid the higher rates for about fourteen years and
47 are scheduled to continue to pay the higher rates for another six years. The EAC customers
48 have paid their charges for about eight years and have seven or more scheduled years
49 remaining. For the GSS customers this extra revenue averages approximately \$170 per
50 customer per year ($\$1,200,000/7,000$ customers), and for the EAC customers averages about
51 \$312 per customer per year ($\$500,000/1,600$ customers). The current GSS customers have
52 paid the higher rates longer than the original GSS customers (10 years). Although the EAC
53 customers have paid the EAC for a shorter period of time, they have paid more additional
54 revenue on average ($\$312$ per year x 8 years = \$2,496) than the GSS customers ($\$170$ per
55 year x 14 years = \$2,380).

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II. OVERVIEW

60

61 **Q. Will you please summarize what you believe the critical issue is in this case?**

62 A. The Company believes the core question before the Commission in this proceeding can be
63 summarized as follows: **Is it in the public interest to have a single average natural gas**
64 **rate throughout the state or continue to have areas with higher rates?**

65

66 **Q. What is the Company's response to this question?**

67 A. For years the Company, Commission, Division and Committee have grappled with this
68 question. All parties have generally agreed that the interests of existing customers need to be
69 balanced with those of new customers, whether in an expansion area or in a new subdivision.
70 The Commission determined that higher rates for these expansion areas were in the public
71 interest at the time the rates were approved and found to be just and reasonable. After
72 participating in the Commission-ordered GSS-EAC Task Force (Task Force), the Company
73 now supports the Task Force recommendations that, because the GSS and EAC customers
74 have paid more per customer and/or longer than other expansion areas, the GSS and EAC
75 rates should be removed and rolled into the GS-1 class.

76

77 **Q. How can it be fair for one group of customers to subsidize another group?**

78 A. That is the nature of utility rates. Because the Company charges average rates for all GS-1
79 customers, wherever they are in the state, there are multiple intra-class subsidies going back
80 and forth between customers, including the GSS and GS-1 sub-classes. For example, it
81 could be argued that the GSS communities have been subsidizing customers along the
82 Wasatch Front. The Company invests millions of dollars per year in feeder lines and other
83 plant along the Wasatch Front that will never be needed for rural Utah but is included in their
84 rates. It can also be argued that the GS-1 class is subsidizing the GSS customers. The fact is
85 that as long as the Company charges average rates, no individual customer on the system is
86 paying his/her actual costs. There are subsidies, explicit or implicit, throughout the system.

87 In order for every customer to pay only his/her specific costs, the Company would need
88 850,000 separate rate classes.

89

90 **Q. What is the obligation the GSS and EAC customers have as far as the rates they pay?**

91 A. These customers have the obligation to pay the rates established by the Commission for their
92 area. The customers or the communities in these areas have no contractual obligations with
93 the Company or the Commission. The Commission imposed higher rates for these
94 communities at the time the systems were extended in order to balance the interests of these
95 customers with the interests of the other customers already on the system. It is within the
96 Commission's powers to determine whether these higher rates should continue or not.

97

98 **Q. What costs are included in the rates paid by the GSS and EAC customers?**

99 A. These customers pay the GS-1 rates as well as a premium, either in the form of higher DNG
100 rates or an EAC. The revenue requirement of the GS class determined in the last general rate
101 case included all the costs and plant associated with the GS-1, GSS and EAC customers
102 throughout the state of Utah. In other words, the GSS and EAC customers are paying rates
103 that include costs associated with plant and operations in areas of Utah for which they
104 receive little or no benefit. At the time that the system was expanded to the GSS and EAC
105 areas, rates were not designed for these customers on a stand-alone basis. That has never
106 been the policy or practice of the Company or the Commission in this state.

107

108 **Q. Are there economic development reasons for the GSS and EAC rates to be removed?**

109 A. The testimony filed by the Beaver County School District, Beaver County Economic
110 Development Corporation, Beaver Valley Hospital, Carbon County and Emery County
111 discussed the impact these rates have on customers in their areas, including the impact on
112 some large commercial and industrial customers that are located in the areas. This testimony
113 also discusses the disincentive these rates have created for companies that are considering
114 locating in their areas.

115

116 Economic development was one of the primary reasons that these communities initially
117 requested gas service. At that time, all parties in this case were in favor of expanding gas
118 service, even if it meant that other customers might be impacted. For example, see the
119 Committee's position paper in the Elmo and Cleveland case attached as **QGC Exhibit R 1.2**
120 where the Committee acknowledged that it is in the public interest to expand to these areas
121 when, "[t]he provision of the service will not have an **extraordinary** adverse financial
122 impact on the Company or its ratepayers." (emphasis added)

123

124

125

III. TASK FORCE REPORT

126

127 **Q. Did you file direct testimony in this docket?**

128 A. No, the Company filed an application in this docket on October 6, 2006 (Application) in
129 response to the recommendations of the Task Force that were included in the report filed by
130 the Division on August 24, 2006. The Task Force was created by order of the Commission
131 in Docket No. 05-057-T01 on May 26, 2006. A copy of the Task Force Report is attached as
132 Exhibit 1.1 of the Application. The Company was simply following the recommendation of
133 the Task Force and did not deem it necessary to file testimony in addition to the Task Force
134 Report.

135

136 **Q. Who participated in the Task Force?**

137 A. The Task Force was made up of representatives from the Commission Staff, the Division, the
138 Committee, Salt Lake Community Action Program (SLCAP), the Utah Counties Economic
139 Development Group and the Company. As per the order, the Division chaired the Task
140 Force and issued the final report.

141

142 **Q. What were the final recommendations of the Task Force?**

143 A. The recommendation section of the Task Force Report stated the following:

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RECOMMENDATION

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The task force members could not reach a consensus regarding how to address the current GSS/EAC rate premiums in Questar’s Tariff. There was consensus regarding future expansion requests.

While the task force could not reach a consensus the members of the task force representing Questar Gas, Utah Counties Economic Development Group and the Division of Public Utilities recommends to the Commission the following:

1. The expansion area rates (GSS, IS-4 and ITS) and Extension Area Charges (“EAC”) should be removed from the Questar Gas Tariff. The expansion area rates can be found in Sections 2.03, 4.03 and 5.09, and the EACs are in Section 9.02 of the tariff.
2. The revenues now being collected through the GSS, IS-4, ITS rates and EACs should be rolled into the current GS-1, I-4 and IT rate schedules, and the rates for those schedules should be adjusted so that this change is revenue neutral for the combined classes (GS-1 and GSS, I-4 and IS-4, and IT and ITS).
3. The language in Section 9.02 of Questar Gas’ current tariff that discusses “Availability of Service to New Service Extension Areas” (Pages 9-3 through 9-6) should be removed.
4. The financing of the non-refundable contribution for any future expansion of QGC’s distribution system into areas currently not served by natural gas should be funded from third party sources before the expansion begins, and all other charges or required contributions in aid of construction should follow the established main and service line expansion policies included in Sections 9.03 and 9.04 of Questar Gas’ current tariff.
5. Questar Gas should file a tariff change with the Commission to incorporate the above-mentioned changes, including the support for the proposed rate changes.

Q. Did the Company’s Application follow the recommendations listed?

A. Yes.

185

186 **Q. Would the Company have filed the Application without the support of the majority of**
187 **the Task Force and the final recommendations listed in the Task Force Report?**

188 A. Absolutely not. The Company has tariff provisions in place that allow it to collect the GSS
189 and EAC rates. These rates were approved and found just and reasonable by the Commission
190 before they were implemented. They have been subject to review in every general rate case
191 since being implemented. They have been part of the schedules found just and reasonable in
192 each general rate case. The issues under review in this case were not brought forth by the
193 Company but through the actions of the rural communities that are paying these rates.
194 However, the Company is sympathetic to the communities involved and participated, in good
195 faith, in the Task Force that was established to review these rates. The Company agreed to
196 participate in the Task Force, whose main purpose was to propose a solution to the economic
197 development problems faced by the communities in which these rates are charged. The
198 Company was pleased that the Task Force completed its review and agreed upon a proposed
199 set of actions to resolve these problems. The recommendations of the Task Force were
200 agreed upon by all participants except the Committee and SLCAP. The Commission Staff
201 participated in the Task Force discussions but, as is proper, did not participate in making a
202 recommendation. Without the support of the Division and the other members of the Task
203 Force, the Company would not have filed the Application to change the Tariff.

204

205

206 **IV. COMMENTS ON TESTIMONY OF MR. BARROW**

207

208 **Q. Have you reviewed the Direct and Supplemental Testimony filed by Mr. Barrow for the**
209 **Division?**

210 A. Yes.

211

212 **Q. Does Mr. Barrow's Direct Testimony comply with the recommendations of the Task**
213 **Force?**

214 A. Most of his Direct Testimony complies with the recommendations of the Task Force, but one
215 part does not. On lines 20 and 21 of page 2 of his testimony, Mr. Barrow states the
216 Division's position in this matter as follows: "The Division supports the concept of
217 eliminating the GSS, ITS and IS-4 rates from the Company's tariff, as well as eliminating the
218 EAC charges." This position is in agreement with Recommendation #1 listed in the Task
219 Force Report, which provides that expansion area rates should be removed. Later in his
220 testimony, on lines 2-4 of page 10, Mr. Barrow states, "[t]he Division of Public Utilities,
221 QGC and the Utah Counties Economic Development Group favored rolling in the GSS/EAC
222 rates into the existing GS-1, IT and I-4 rate schedules." This is in agreement with
223 Recommendation #2 of the Task Force Report which provides that the expansion area rates
224 should be rolled in. However, later in his testimony, on lines 1-4 of page 15, he states that
225 the Division is not recommending that the Commission roll these GSS rates and EAC
226 charges into the GS-1 DNG rates at this time. This not only contradicts his testimony on
227 page 10 but also is in direct opposition to Recommendation #2 in the Task Force Report.

228

229 **Q. What about Mr. Barrow's recommendation on lines 15-17 of page 15 of his Direct**
230 **Testimony that the GSS and EAC charges be rolled in as part of a general rate case?**

231 A. I will discuss this below in connection with my rebuttal of the testimony of Mr. Gimble and
232 Ms. Wolf.

233

234 **Q. Does the Company agree that the alternative proposal presented by Mr. Barrow in his**
235 **Supplemental Testimony provides a reasonable mechanism to resolve this issue?**

236 A. Yes, in part. While the Company still recommends that the Commission adopt the
237 recommendations of the Task Force, we do agree that the alternative proposal presented by
238 Mr. Barrow in the supplemental testimony also provides a reasonable mechanism to resolve
239 this issue as long as the other provisions, itemized on pages 21-22 of this testimony, are also
240 included.

241

242 **Q. Does the Division's alternative proposal also address the IS-4 and ITS rates?**

243 A. No, the Division recognized that its alternative proposal did not solve the problem for these
244 customers and suggested that the Company propose a solution.
245

246 **Q. What is the Company's proposal for the IS-4/I-4 and ITS/IT rate classes?**

247 A. The Company recommends that the Commission adopt the recommendations of the Task
248 Force, in which the extra revenues not collected from the IS-4 and ITS customers would be
249 rolled into the I-4 and IT rates respectively. As discussed in the Company's Amended
250 Application in this case, filed on October 11, 2006, the Company agreed to cap the increase
251 to the I-4 rates at 1.2%, the increase proposed for the IT rates. The result of this proposed
252 cap is that the Company would forgo the collection of approximately \$150,000 per year from
253 the combined IS-4 and I-4 customers. The total remaining increase to the I-4 and IT rate
254 classes is approximately \$30,000 per year. If the Commission were to adopt the Division's
255 alternative proposal, this amount of "lost revenue" could be accumulated in a deferred
256 account separate from the CET account and amortized to these rate classes at a later time.
257
258

259 **V. REBUTTAL TO TESTIMONY THAT THE APPLICATION SHOULD BE**
260 **CONSIDERED IN A GENERAL RATE CASE**
261

262 **Q. Instead of following Recommendation #2 listed in the Task Force Report, what else has**
263 **the Division recommended?**

264 A. On lines 15-17 of page 15 of Mr. Barrow's Direct Testimony, he states, "Therefore, the
265 Division recommends that the GSS rates and EAC charges be rolled in as part of a general
266 rate case where all of the Company's revenues and expenses can be reviewed."
267

268 **Q. What does the Committee recommend on this issue?**

269 A. On lines 12-16 of page 10 of Mr. Gimble's Direct Testimony he states, "[T]he Company's
270 Application raises significant policy and factual issues that may only be addressed in the
271 context of a general rate case."

272

273 **Q. What does SLCAP recommend on this issue?**

274 A. On lines 8-9 on page 10 of her testimony, Ms. Wolf states, “[T]his is a matter that would
275 more appropriately be determined in a general rate case.”

276

277 **Q. Were these recommendations surprising to the Company?**

278 A. Yes. Prior to the filing of direct testimony in this case, none of these parties had argued that
279 the GSS and EAC rates should be rolled into the other rates in conjunction with a general
280 rate case.

281

282 **Q. Did the Parties discuss the option of rolling in the GSS and EAC as part of a general
283 rate case filed by the Company?**

284 A. Yes, that was one of the options discussed during the course of the working group meetings,
285 technical conferences and Task Force meetings but was not proposed by any participant in
286 the Task Force as a recommendation to the Commission. Even the Committee, which
287 disagreed with the majority of the Task Force on what should be recommended, did not
288 propose a general rate case to solve this problem until the filing of direct testimony in this
289 docket. The Committee filed its comments and recommendations based on the Task Force
290 on August 24, 2006. Those comments are attached to Mr. Gimble’s testimony as CCS
291 Exhibit 1.1 and do not recommend a general rate case. As shown on the last page of those
292 comments, the Committee recommended “that the Commission convene a technical
293 conference in the near future to discuss the issues raised, information provided and
294 perspectives offered in any reports or memoranda filed in connection with the GSS-EAC
295 matter.”

296

297 **Q. Would you please comment on the Division and Committee’s assertions that the GSS
298 and EAC rates can only be rolled into the GS-1 rates in a general rate case?**

299 A. The revenue requirement for the combined GS-1 and GSS classes (GS class) was established
300 in the last general rate case Docket No. 02-057-02. At that time rates were established for

301 the GS class, taking into consideration the extra revenues that would be collected from the
302 EAC and GSS rates. This resulted in the GS-1 class rates being established at a somewhat
303 lower level than would otherwise have been the case. The revenue requirement for the GS
304 class was also reviewed in 2006 in the context of the Conservation Enabling Tariff (CET)
305 filing (Docket No. 05-057-T04). After reducing the Company's rates by \$9.7 million, the
306 Commission approved the CET in September 2006, and ordered that the Company be
307 allowed \$255.53 per customer in the GS class. Changing the rates to the GSS, EAC or GS-1
308 classes does not change the amount of revenue the Company is allowed to collect or record.
309 That amount is determined by the CET to be \$255.53 per customer per year. Since the
310 rolling in of the GSS and EAC revenues into the GS-1 rates does not affect the revenues
311 collected or recorded by the Company, it is the Company's position that the proposed
312 elimination of the GSS and EAC rates and the adjustment to the GS-1 rates to collect the
313 same level of revenue within the general service class does not have to be done in the context
314 of a general rate case.

315

316 **Q. Will the rolling in of the GSS and EAC revenues into the GS-1 rate, and the rolling in**
317 **of the IS-4 and ITS revenues into the I-4 and IT rates result in the Company increasing**
318 **the revenue that it collects from the any of these classes?**

319 A. No. This change is revenue neutral to the Company. The DNG rates ordered in Docket
320 No. 02-057-02 were designed for each of these classes to collect the allowed revenue.

321

322 **Q. What will be the impact to customers?**

323 A. Some customers, approximately 8,600, will experience a significant reduction in their natural
324 gas bills. On the other hand, the remaining 825,000 customers in the GS class will
325 experience a small (about \$0.19 per month) increase in their bills. For the interruptible and
326 transportation customers, the few customers in the expansion areas will experience a
327 significant reduction while the I-4 and I-T customers will see an increase of about 1.2% in
328 their DNG rates.

329

330 **Q. Is there precedent for DNG rates being raised outside of a general rate case?**

331 A. Yes. One example of such a change is the transfer of research and development charges from
332 the SNG portion of rates to the DNG portion. Over a period of 4 years, from 2000 to 2003
333 these charges were removed from the SNG rates and the same amount was added to the DNG
334 rates. This process took place each year in a passthrough proceeding. Another example of
335 such a transfer occurred when gathering costs were removed in 1999 from the SNG rates
336 with the same amount being added to the DNG rates. This also took place with a
337 passthrough application. In both of these examples, the revenues collected by the Company
338 did not change, only the source of the revenues. In the current docket, the same principle
339 applies. The revenues collected by the Company will not change when these revenues are
340 rolled into the GS-1 rates. Only the source of the revenues will change.

341

342 **Q. Were the GSS and EAC rates established during a general rate case?**

343 A. No. The GSS rates were established in the proceeding to extend natural gas service to
344 Southern Utah in Docket Nos. 86-057-03 and 91-057-13 which were not general rate cases.
345 The EAC rates were established in the following dockets: New Harmony, 97-057-12;
346 Panguitch, 98-057-02; Oak City, 98-057-04; Joseph/Sevier, 98-057-06; Fayette, 99-057-03;
347 Cedar Fort, 99-057-05; Brian Head, 99-057-09; Newton/Clarkston, 99-057-15; and Wales,
348 00-057-07. None of these cases was a general rate case.

349

350 **Q. Aren't these examples of the Commission increasing DNG rates outside of a general
351 rate case?**

352 A. Yes. In the case of the GSS rates, the DNG portion of the GS-1 rates was doubled for the
353 expansion areas. In the EAC cases, the fixed charges to customers in those areas were
354 increased by between \$16.50 and \$30.00 per month. In all of these instances, not only were
355 the DNG rates and charges increased outside of a general rate case, but also the total
356 revenues of the Company were increased.

357

358 **Q. If the Commission had the authority to establish these higher rates and revenues**
359 **outside of a general rate case, wouldn't it also have the authority to combine the GS-1,**
360 **GSS and EAC customers into a single general service rate class resulting in revenue**
361 **neutrality to the Company outside of a general rate case?**

362 A. As a practical matter of regulation, it seems clear to me that if the Commission had authority
363 to increase the DNG rates and revenues outside the context of a general rate case, it would
364 also have authority to discontinue them in a revenue neutral manner in this proceeding.

366 **Q. Is there other precedent for removing expansion area rates and allowing the Company**
367 **to collect the "lost revenue" elsewhere?**

368 A. Yes. In 1966, the Company expanded service into the Uinta Basin. In that case, the
369 Company was allowed to charge rates to these customers that were 30% higher than the GS-1
370 rate. These rates were referred to as "GS-1A" rates. They are very similar to the GSS rates
371 in effect today and, in fact, provided the model for the design of the GSS rates in 1986. In
372 1981, the GS-1A communities petitioned the Commission to remove the expansion area
373 rates. In the Commission's Supplemental Order in Case No. 7206, dated December 16,
374 1981, the Commission stated the following:

375
376 Because Mountain Fuel Supply Company's rates have been set by this
377 Commission to produce spoiled revenues from its aggregate Utah utility
378 operations, a unilateral reduction on January 1, 1982, of the Company's "A"
379 rates would result in a shortfall in revenue for the period from January 1,
380 1982, until such time as the Commission were to approve a new composite
381 rate structure for the Company's Utah service area. Therefore, termination of
382 the "A" rates on January 1, 1982, must be accompanied by a method to allow
383 Mountain Fuel Supply Company to recover the revenues otherwise foregone
384 by such action.

385
386 Account 191 of the Uniform System of Accounts is currently used by
387 Mountain Fuel Supply Company to match revenues and costs corresponding
388 to the Company's gas acquisitions and otherwise to provide a mechanism for
389 treatment of certain other revenues. This account can serve as an appropriate
390 means for allowing Mountain Fuel a one-time recovery of the revenues that
391 would be otherwise foregone as a result of the reduction of its "A" rate
392 schedules.

393

394 This order is attached as **QGC Exhibit R1.3**. This case was not a general rate case. While a
395 general rate case was pending in a separate docket at the time, the Commission nevertheless
396 chose to resolve this issue outside of the rate case and put the costs in the 191 Account.

397

398

399 **VI. REBUTTAL TO OTHER ASPECTS OF COMMITTEE DIRECT TESTIMONY**

400

401 **Q. On page 2 of his testimony, Mr. Gimble criticizes the Company for not filing direct**
402 **testimony in this docket and states that the Company's filing is deficient. Do you**
403 **believe the filing in this docket has been adequately supported?**

404 **A.** Yes, the process that led to this filing lasted for approximately one and a half years. In
405 March 2005, Beaver County sent a letter to the Commission requesting a review of the GSS
406 rates. In response to that letter, the Commission held a technical conference to discuss the
407 issue. In attendance at that conference were representatives of the Commission, the Division,
408 the Committee, the Company and the communities. After the technical conference, several
409 working group meetings were held, coordinated by the Director of the Commission Staff, to
410 address this issue and identify some potential solutions. All questions that were asked and
411 any data that was requested of the Company were provided at that time. One of the results of
412 those meetings was the recommendation from the group that the Company file to change the
413 interest rate applied to the EAC areas from the pre-tax rate of return to the after-tax rate of
414 return (Docket No. 05-057-13).

415

416 **Q. Did the Company file direct testimony in conjunction with that application for a tariff**
417 **change?**

418 **A.** No testimony was filed in support of the application. Just as in this case, the Company filed
419 the tariff change as a result of a recommendation from the group.

420

421 **Q. Were there any other results from those meetings?**

422 A. Yes. Another result of those meetings was the decision of the Company and the Division to
423 include the proposal to roll in the GSS and EAC customers into the GS-1 class in connection
424 with the CET filing (Docket No. 05-057-T01). This issue was also discussed during the
425 negotiations that led to the stipulation filed in Docket No. 05-057-T01, but the issue was not
426 resolved. As a result, the Commission order adopting that stipulation created a Task Force to
427 review this particular issue and provide a recommended course of action to the Commission
428 within 90 days. This Application is based on the recommendations filed by that Task Force.

429 **Q. What is your point then?**

430 A. The point here is that during the technical conferences, the meetings held by the Commission
431 Staff, the negotiations on the stipulation and during the Task Force meetings the Committee
432 was a full participant. The Task Force was directed by the Commission to review this issue
433 and make recommendations. The Company provided any information asked by any party
434 during the working groups and Task Force regarding this issue, and has supported the
435 recommendations and conclusions put forth first by the Task Force in the Application. The
436 support for this tariff filing is specifically included in the Task Force Report, the minutes to
437 the Task Force, and the attached exhibits and analyses.

438

439 **Q. On lines 17-21 of page 1 of his testimony, Mr. Gimble refers to the \$1.7 million of GSS
440 and EAC revenue as un-recovered expansion costs. Do you agree with this
441 characterization?**

442 A. No. The Committee made this same representation in their comments on the Task Force
443 Report filed on August 24, 2006. The Company pointed out in its response to these
444 comments that the Committee was in error to represent the \$1.7 million as un-recovered
445 costs. Rather, as shown in the exhibits attached to the Task Force Report, the \$1.7 million is
446 the extra revenue collected from the GSS and EAC customers every year over what they
447 would pay on the regular GS-1 rate. (See page 2 of the Reply Comments by Questar Gas
448 Company, filed on September 15, 2006, concerning the GSS/EAC Task Force Report and the
449 Opposing Comments to the report by the Committee of Consumer Services in Docket No.
450 05-057-T01.)

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Q. On lines 4-5 of page 4 of his testimony, Mr. Gimble states that the GSS/EAC rates “may not be just and reasonable.” What is your response to this assertion?

A. If Mr. Gimble intended by this statement to raise the issue that these rates may no longer be just and reasonable because of the impact they have on customers in the rural areas, the Company would not disagree with his statement. However, from the context of his testimony, it seems that Mr. Gimble is actually questioning whether the GSS/EAC rates have ever been just and reasonable. If so, for the Committee to claim that these rates have not been just and reasonable at this point in time seems like an effort to divert the Commission’s attention away from the real issue before it. As stated earlier, the Company has tariff provisions, in place and approved by the Commission, that allow it to collect the GSS and EAC rates. These rates have been ordered by the Commission and found to be just and reasonable in the original dockets and in every general rate case since they were implemented. These rates have not been questioned by the Committee or any other party in any of these rate cases or even as recently as the Task Force proceedings.

Q. In his testimony, Mr. Gimble states that “the Company should have a financial stake in any GSS-EAC proposal approved by the Commission.” (Lines 24-25, page 5). Do you agree with this statement?

A. No. All parties (Company, Division, Committee) were involved in the creation of the GSS and EAC rates and reviewed the estimates that were used to create the rates. Additionally, all the parties were involved in the analysis of these areas and knew that the economics were based on projections into service territory that the Company had not served before, and that there were significant unknowns included in the decisions to serve these areas. Even with the unknowns, it was determined that the Company should extend service into these areas and charge the higher rates. In the order for Docket No. 91-057-13 (page 3), the Commission stated the following:

479 7. In the event that financial projections are not realized, the impact of cross
480 subsidization of rates by other customers would be minimal because the
481 size of the project is small relative to the size of Mountain Fuel's system.
482

483 It is this minimal subsidization by other customers that we are discussing in this case. Rather
484 than recognize this obvious fact, the Committee chooses to try and penalize the Company for
485 a rate and a circumstance that it helped to create and supported. As I already mentioned
486 above, the Committee is on record as having supported expansion of service in prior
487 proceedings. For example, see **Exhibit QGC R1.2**. The Committee consistently supported
488 expansion of service to rural areas and the use of GSS/EAC rates in those expansions. While
489 it might be consistent for the Committee to now oppose removal of those rates earlier than
490 originally anticipated, it is inconsistent for the Committee to advocate removal of the rates,
491 and claim that the Company should lose revenue as a result of the removal because the
492 Company must somehow bear responsibility for any error in establishing them.
493

494 **Q. Mr. Gimble repeatedly accuses the Company of not tracking the revenues generated by**
495 **the GSS rates. He also asserts that because the Company has not completed an analysis**
496 **that compares the estimates of the costs and the subsequent revenues with the actual**
497 **costs of running these expansion systems, the Task Force recommendations should not**
498 **be followed. What is your response to these assertions?**

499 A. First, as explained in the working group meetings, the Task Force meetings, and in response
500 to Committee data requests, a comparison of the estimates of extending service to GSS areas
501 with the actual costs cannot be done. When the GSS rate was established in Docket No. 86-
502 057-03, there were no provisions made to track these costs. The costs of building these
503 systems and connecting the customers were entered in the plant accounts just like all other
504 investments in utility plant. This method of accounting for investment has been reviewed by
505 the Division and Committee in every general rate case for at least the last 27 years.
506

507 Second, even if the actual costs for each area were available, the information would be
508 irrelevant to the request to reconcile the estimated costs with the actual costs incurred to

509 extend service to these communities. The Company based the calculation of GSS rates on
510 the minimum system required to serve only the customers requesting service at the time of
511 expansion. When the Company built the systems in each area, however, the systems were
512 sized to be able to serve not only the customers at that time, but reasonable growth. This
513 practice has allowed the Company to meet the growth in these areas without the need for
514 more costly line upgrades and replacement.

515
516 The analyses used to justify the GSS rates also did not include a present-value analysis as
517 was done with the EAC areas. The analysis was based on an “average” rate of return over
518 the 20-year time period. In that case, dollars received in the 20th year are just as valuable to
519 the Company as are dollars received in the 1st year. This analysis does not lend itself to the
520 calculation of costs that are not collected at any point in time. The analysis led the
521 Commission to order that higher expansion area rates should be collected from these
522 customers for a 20-year period to partially shield the other customers on the system from the
523 added costs included in general rate cases from that point on. No amount of total revenue or
524 DNG revenue was ever set by the Commission as the amount required for these areas to pay
525 off their “GSS obligation.”

526
527 **Q. On pages 6-8 of his testimony, Mr. Gimble makes reference to “ongoing windfall**
528 **profits”, characterizes the Company’s proposal as a permanent rate increase, expresses**
529 **concern that the GSS and EAC revenues were not accounted for as an offset to rate**
530 **base, states that there may have been an overcollection of revenues from the original**
531 **GSS customers, and questions the accuracy of the Company’s accounting records with**
532 **respect to the GSS and EAC areas. What is your response to these allegations?**

533 **A.** The Company disagrees with all of these allegations. Since the filing of Mr. Gimble’s
534 testimony, the Company has responded to all of the Committee’s data requests and has had
535 discussions with the Committee that have led the Company to believe that these allegations
536 have been disproved. The Company believes that on this basis, these issues may have been

537 resolved. However, the Company reserves its right to fully rebut these allegations, if
538 necessary, if that is not the case.

539

540

541

VII. CONCLUSION

542

543 **Q. What is the Company's position in this case?**

544 A. The Company's position is that the recommendations of the Task Force should be adopted by
545 the Commission and that the Company's tariff change should be approved because 1) the
546 rates and charges and other tariff provisions related to the GSS and EAC expansion areas
547 would be removed from the tariff, 2) the GS-1, I-4 and IT rates would be re-designed such
548 that the extra revenue now collected from the GSS, IS-4 and ITS customers would be
549 collected through those rates in a manner that is revenue neutral to the Company, and 3) the
550 Company would collect the non-refundable contribution for any future expansion of QGC's
551 distribution system from the expansion areas before the expansion begins.

552

553 **Q. Does the Company find the Division's alternative recommendation acceptable?**

554 A. Yes. While the Company's preferred approach is to adopt the Task Force recommendations,
555 as explained earlier in my testimony, the Company agrees that the Division's alternative
556 recommendation described by Mr. Barrow in his Supplemental Testimony also provides an
557 acceptable mechanism to solve this problem as long as 1) deferred account treatment of lost
558 revenues associated with the IS-4 and ITS customers is included for the next six years or
559 until the next general rate case, and 2) if the CET were discontinued, another type of deferred
560 account would be implemented for the next six years or until the next general rate case.

561

562 **Q. Does this conclude your testimony?**

563 A. Yes.

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

I, Gary L. Robinson, 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.

Gary L. Robinson

SUBSCRIBED AND SWORN TO this 2nd day of February 2007.

Notary Public