

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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
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**SURREBUTTAL TESTIMONY OF VAUGHN W. SHOSTED**

**FOR QUESTAR GAS COMPANY**

January 7, 2013

**QGC Exhibit 6.0SR**

## I. INTRODUCTION

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

2 A. Vaughn W. Shosted, 1140 West 200 South, Salt Lake City, Utah, 84145.

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

4 A. I am employed by Questar Gas Company (Questar Gas or Company) as the General  
5 Manager of Operations Support.

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

7 A. I have been employed by Questar Gas or its predecessor or affiliate since 1974 when I  
8 was hired to work in Operations as a Utility worker. I was in Operations for 10 years  
9 where I became experienced in welding, running mains and services, and performing  
10 maintenance. I moved to the Training Department in 1984 and became its supervisor in  
11 1991. I was responsible for training all Questar Gas employees in construction  
12 techniques, including the installation of gas mains and services. In 1998, I became the  
13 Provo Region Manager. In 2000, I became the Salt Lake Region Manager. As a Region  
14 Manager, I was responsible for the installation of services and mains within my Region.  
15 In 2008, I became the General Manager of Operations Support.

16 **Q. Please explain your current responsibilities.**

17 A. I am currently responsible for Managing the pre-construction department, which oversees  
18 the policies and procedures related to the installation of services and mains. I oversee the  
19 contractor relations and damage prevention group, which establishes all standards for  
20 outside contractors governing the installation of services and mains. I also manage

21 employees responsible for high pressure construction, training, dispatch, research and  
22 development, regulation and measurement, meter shop, leak survey, system integrity, and  
23 integrity management.

24 **Q. What is the purpose of your surrebuttal testimony in this Docket?**

25 A. First, the purpose of my surrebuttal testimony is to explain Questar Gas' methodology for  
26 contracting for the installation of services and mains with outside contractors. Second, I  
27 will respond to the Rebuttal Testimony of Ross Ford, the Executive Vice President of the  
28 Utah Home Builders Association.

29 **Q. Please explain how Questar Gas contracts for the installation of services and mains.**

30 A. Questar Gas has divided its service territory in Utah and Wyoming into nine geographical  
31 construction zones. Every three years, Questar Gas solicits bids from outside contractors  
32 for the installation of services and mains in each of these zones.

33 **Q. How does Questar Gas ensure that it retains qualified contractors?**

34 A. Questar Gas works to find as many eligible contractors as possible in each zone to ensure  
35 it has a large enough pool of qualified contractors to choose from in each zone. Questar  
36 Gas welcomes the participation of qualified contractors who contact us about joining our  
37 pool of contractors. Over the course of the previous year, Questar Gas worked with a  
38 number of contractors to help them try to qualify to bid on Questar Gas work.

39 **Q. What are the advantages to Questar Gas' zone bid contracting methods?**

40 A. First, by awarding a zone to a bidder, Questar Gas allows contractors to have a  
41 substantial amount of work in a relatively compact area. This allows well-qualified

42 contractors and their crews to concentrate on natural gas work full-time, enhancing  
43 specialized experience and reinforcing a culture of safety. In order to bid, contractors  
44 must have a proven track record of safety and experience. Zone bid contractors must be  
45 willing to follow all Questar Gas' safety policies and procedures. Zone bid contractors  
46 need to have a proven understanding of federal and state Department of Transportation  
47 (DOT) regulations governing the installation of natural gas services and mains. By  
48 awarding bids for a three-year term to individual contractors, Questar Gas believes that it  
49 can best ensure contractor compliance with all applicable safety regulations and the  
50 relevant Questar Gas safety policies and procedures.

51 Second, Questar Gas' zone bid process is designed to provide Questar Gas and its  
52 customers the benefits of economies of scale. Zone bid contractors can reduce  
53 mobilization and demobilization costs because they consistently work in the same  
54 geographic area and generally have crews at-the-ready for the consistent stream of work.  
55 When a zone bidder is given the opportunity to receive all natural gas work in a specific  
56 zone for a fixed period of time, that bidder may be able to give Questar Gas better pricing  
57 than if it was called upon to give individual bids for individual service or main projects.  
58 Contractors are better able to retain qualified employees over time because they have a  
59 consistent stream of work. This reduces costs associated with training and supervision.  
60 As a result, Questar Gas believes that zone bid contractor costs associated with the  
61 installation of services and mains is competitive with the marketplace and Questar Gas  
62 believes that the quality of installation is higher than would be otherwise with open  
63 bidding on individual projects.

64 Finally, the zone bid process allows contractors to gain critical familiarity with the areas  
65 in which they work. Contracting with a single zone bidder in a zone allows each  
66 contractor to become familiar with the broader natural gas infrastructure and underlying  
67 geological and construction issues, and allows them to develop relationships with  
68 municipalities that enhances permitting efficiency and consistent compliance with unique  
69 permitting requirements, thus saving money. The zone bid contractors establish strong  
70 ties to individual communities, which benefits Questar Gas.

71 **Q. Mr. Ford has proposed the self-installation of natural gas lines. How do you**  
72 **respond to Mr. Ford's proposal?**

73 A. Mr. Ford proposes "allowing developers, builders and customers to self-install gas lines."  
74 Questar Gas opposes Mr. Ford's proposal for the following reasons. First, allowing  
75 builders and developers to hire any contractor to install or to self-install could  
76 compromise safety. The installation of natural gas lines is governed by 49 CFR Part 192,  
77 as well as a myriad of federal and state safety regulations. It is technical and specialized  
78 work. Contractors who perform natural gas work need to be "DOT Operator Qualified"  
79 in more than 30 functions. Pursuant to DOT regulations, each piece of contractor  
80 equipment must be inspected and certified for fitness. No other underground utility is  
81 subject to this level of safety regulation. In fact, no other utility infrastructure installation  
82 falls under DOT safety regulation. There are substantial risks associated with the  
83 installation of natural gas by an untrained and uncertified contractor that can be mitigated  
84 by compliance with Federal and State regulations. Questar Gas also notes that it would

85 ultimately become the owner of the facilities and, as such, would bear the liability risk  
86 going forward.

87 Also, Questar Gas does not believe that a self-installation option would guarantee the  
88 level of familiarity with its system, local geology and municipal permitting requirements  
89 to ensure the safe and economic installation of natural gas services and mains.

90 **Q. Mr. Ford has proposed, alternatively, that builders and developers could have a**  
91 **“list of approved contractors to perform gas installations.” How do you respond to**  
92 **this proposal?**

93 A. This proposal is unnecessary for larger projects. In QGC Exhibit 3.37, Section 9.03 of  
94 the proposed Tariff, Questar Gas has proposed allowing a builder/developer to seek a  
95 special bid process, using Questar Gas qualified contractors, for projects estimated to cost  
96 more than \$200,000. Under this policy, builders and developers already have the option  
97 to special bid those jobs where they stand to gain the greatest cost savings.

98 With regard to smaller projects, this proposal does not resolve the issues that I outlined in  
99 the response to the previous question. The proposal could require all listed contractors to  
100 mobilize in every zone. This could cause installation costs to escalate. It would dilute  
101 any single contractor’s ability to familiarize itself with Questar Gas’ system and the  
102 geology and individual permitting issues in any given zone. In short, Mr. Ford’s proposal  
103 could increase costs for the builder/developer and Questar Gas’ customers.

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

105 A. Yes.

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

I, Vaughn W. Shosted, 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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Vaughn W. Shosted

SUBSCRIBED AND SWORN TO this 7<sup>th</sup> day of January, 2014.

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Notary Public