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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas
Company to Increase Distribution Non-Gas
Rates and Charges and Make Tariff
Modifications

Docket No. 13-057-05

**SURREBUTTAL TESTIMONY OF THE
UTAH ASPHALT PAVEMENT
ASSOCIATION**

The Utah Asphalt Pavement Association (“UAPA”) hereby submits its Surrebuttal Testimony in this docket.

Dated this 7th day of January, 2014

/s/ Douglas E. Griffith

Douglas E. Griffith
Counsel for Utah Asphalt Pavement Association

SURREBUTTAL TESTIMONY
OF THE
UTAH ASPHALT PAVEMENT ASSOCIATION

JANUARY 7, 2014

Docket No. 13-057-05

Request 1.1(a)- “[P]rovide a copy of the internal study that UAPA used to derive the increase of 25-30%. Please include all calculations and work papers electronically in an Excel format with formulas intact.”

See attached Excel document entitled: “Questar Intervention Cost Increase Projection.”

The calculations in that spreadsheet are based on a model of an average asphalt plant as agreed upon internally by UAPA members. In the model, “tons produced” are based on an average asphalt plant in Utah. The costs are based on the actual costs for interrupted service (“IS”) customers over the last twelve (12) months and the proposed legislative tariffs from Questar. (See Exhibit MM-Legislative Format of Tariff Sheets, Testimony of Mr. Austin C. Summers).

Request 1.1(b)- “[Provide] [t]he list of customers used to compute Mr. Ryan’s cost increase estimate of 25-30%, including usage by month for each of these customers, load factors, and if they take gas service from gas supplies other than Questar Gas Company. Please provide this information in an Excel Spreadsheet with formulas intact.”

UAPA will gladly provide a list of its members that are affected by this potential change (see below). However, UAPA will not provide any additional information for this request at this time. This decision is out of respect for the privacy UAPA’s members, and concern that divulging such information would reveal competitive information to the market. If the Commission determines that this information will benefit its decision-making process, then UAPA will work directly with the Commission to provide such information at that time. In the interim time, UAPA recommends the Office of Consumer Services inquire with Questar to obtain any additional information on this topic.

UAPA Members who are part of the IS Class:

- **Geneva Rock Products, Inc.**
 - Asphalt plants in Orem, UT and Draper, UT

- **Sunroc Corporation**
 - Asphalt plant in St. George, UT
- **Granite Construction**
 - Asphalt plants in Saratoga Springs, UT; Cottonwood Heights, UT; and West Haven, UT
- **Kilgore Companies**
 - Asphalt plant
- **Staker Parson Companies**
 - Asphalt plants in Brigham City, UT; Smithfield, UT; Ogden, UT; North Salt Lake City, UT; Draper, UT; Genola, UT;
 - Oil terminal in Ogden, UT
- **Hales Sand and Gravel**
 - Asphalt plant in Centerfield, UT
- **Western Rock**
 - Asphalt plants in Cedar City, UT and St. George, UT
- **Asphalt Materials, Inc.**
 - Asphalt plant in West Jordan, UT
- **Peak Asphalt**
 - Oil terminal in North Salt Lake City, UT
- **Mountain States Asphalt**
 - Oil terminal in Tooele, UT
- **Ergon Asphalt & Emulsions, Inc.**
 - Oil terminals in North Salt Lake City, UT

Request 1.1(c)- “[Provide] [t]he list of customers in the Utah asphalt paving industry who are in the IS class. Please include when they joined the class and the monthly commodity price they have paid since becoming an IS customer to November 2013. Please provide this information in an Excel Spreadsheet format with formulas intact.”

UAPA has provided PDF document that was given to it by Questar (see attached). This document illustrates IS rates from 2006 through 2013 broken down on a monthly basis. UAPA would normally readily respond to this request, however, the requested information is not readily accessible by UAPA. UAPA been in existence less than three years and has not kept such records. In that time, the association has kept no such records. UAPA recommends that the

Office of Consumer Services inquire with Questar to obtain any additional information on this topic.

Request 1.2- “[D]efine the principles of fairness Mr. Ryan used in making his claim for a historical review of the tariff. Please include any source documents that support Mr. Ryan’s principles of fairness.”

Fairness has been a crucial policy consideration of public utility rates for over half a century. In 1961, James C. Bonbright published the book entitled *Principles of Public Utility Rates* (“*Principles*”). The Utah Supreme Court has cited *Principles* multiple times as an authoritative cornerstone in the public utility rate area. *See Stewart v. Utah Public Service Comm’n*, 885 P.2d 759, 767 (Utah 1994); *see also Mountain States Legal Found. v. Utah Public Serv. Comm’n*, 636 P.2d 1047, 1054 (Utah 1981). The Public Service Commission should also recognize *Principles* as such an authority.

Principles outlines the criteria of a desirable rate structure, which includes the “*fair* cost apportionment objective.” This objective, according to *Principles*, “invokes the principle that the burden of meeting total revenue requirements must be distributed *fairly* among the beneficiaries of the service.” This objective also requires “[*f*]airness of the specific rates in apportionment of total costs of service among the different consumers.” *See* James C. Bonbright et al., *Principles of Public Utility Rates*, 290–92 (1st ed. 1961) (emphasis added).

The Supreme Court of Utah developed the fairness criteria to mean that utility companies are allowed a “fair return on capital [which] means a rate of return, given the nature of the investment risk, sufficient to attract capital for investment.” *Stewart*, 885 P.2d at 771 (emphasis added). Moreover, the Court reiterated that a utility has “legal duties under the laws of the state

of Utah... to do all that is necessary to serve the public convenience and necessity in return for a fair and just rate of return.” *Id.* (emphasis added). Thus, rate fairness has been a consistent hallmark of Utah’s utility scheme, and is a critical policy consideration in that area.

These considerations, among others, formed the foundation of Mr. Ryan’s prior testimony concerning fairness and the need for a historical review of the tariff.

Request 1.3- “[D]efine the principle of gradualism and how WACOG is contrary to the principle of gradualism. Please include any source documents that support Mr. Ryan’s understanding of the principle of gradualism.”

It is well settled that according to the “principles of gradualism, mitigation of rate shock and rate stability are extremely important.” *Lloyd v. Pennsylvania Public Utility Comm’n*, 904 A.2d 1010, 1018-19 (Pa. Cmwlth.,2006). *Principles’* outline of the criteria of a desirable rate structure also endorses the “[s]tability of the rates themselves, with a minimum of unexpected changes seriously adverse to existing customers,” and “[e]fficiency... in the control of the relative uses of alternative types of service (on-peak versus off-peak).” *See id.* Even the Utah Supreme Court has declared that a “constitutional principle” of the “parameters of rate regulation” is the “protection of ratepayers from exploitive rates.” *Stewart*, 885 P.2d at 767 (quoting *Federal Power Comm’n v. Memphis Light, Gas & Water Div.*, 411 U.S. 458, 474 (1973) (“[U]nder *Hope Natural Gas* rates are ‘just and reasonable’ only if consumer interests are protected and if the financial health of the pipeline in our economic system remains strong....”))

Therefore, the use of WACOG, as far as it is used to determine a uniform rate, would ignore both gradualism and fairness. This is because, according to *Principles*, a “uniform rate would result in a serious underutilization of plant capacity because it would cut down the

demand for services (especially, for off-peak services) that could be supplied at increment costs materially below average unit costs.” *See id.* at 293.

These considerations, among others, formed the foundation of Mr. Ryan’s prior testimony concerning gradualism and how WACOG is contrary to it.

CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of January, 2014, I served a true and correct copy of the foregoing **SURREBUTTAL TESTIMONY OF THE UTAH ASPHALT PAVEMENT ASSOCIATION** by causing the same to be delivered to the following:

Via hand delivery and email to:

UTAH PUBLIC SERVICE COMMISSION
c/o Gary Widerburg, Commission Secretary
160 East 300 South, Fourth Floor
Salt Lake City, Utah 84111
psc@utah.gov

Via hand delivery to:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Via e-mail to:

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