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— BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH —

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR A GENERAL INCREASE IN RATES AND CHARGES	)))))))	Docket No. 02-057-02 **SUPPLEMENT TO POST-HEARING BRIEF OF QUESTAR GAS COMPANY**

Although the Commission's post-hearing schedule did not provide for responses to parties' reply briefs, Questar Gas Company seeks leave to file a short supplement to its Reply Brief to address briefly an issue that the reply briefs of Division of Public Utilities and Committee of Consumer Services have both raised for the first time—and done so quite erroneously.

The issue centers around the compilation by the *Public Utilities Fortnightly* of return on equity (ROE) levels that have been authorized by various commissions during the 12-month period ending September 30, 2002.[1] A portion of the compilation is attached to each of the reply briefs of the Division and Committee. It is notable that both the Division and Committee briefs omit the endnotes to the *Fortnightly* article that explain and qualify many of the entries in the table. This is a significant omission, as discussed below. The two pages of endnotes to the November 15, 2002, *Fortnightly* article are attached to this filing as a "Supplement to the Division's Attachment 1 of its Reply Brief."

The compilations, of course, speak for themselves, and QGC takes no issue with them. However, the Division and Committee try to bolster their arguments that the ROE determination in this case should be treated as an incremental/decremental process relative to the 11.0% established in Docket No. 99-057-20 by elevating the headline in the accompanying *Fortnightly* article to an evidentiary status that is not only improper, but demonstrably factually inaccurate.

The headline in question is "Return on Equity: Interest Rates Push Down Allowances." Both parties have seized on a headline writer's erroneous "testimony" and insistently claimed this compilation establishes that utility ROEs are heading south. (Committee Reply at 6-7; Division Reply at 7.) Hence, they conclude, the Commission should look to decrease the Company's ROE from the currently authorized level.

A simple inspection of the results for natural gas utility companies shows that,

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[1]*Public Utilities Fortnightly*, Nov. 15, 2002, at 42. The 2001 version of this compilation was

contrary to the headline and these parties' claims, the trend for gas utilities appears to be *up*, not down.

The Division undertook to simplify the data in the *Fortnightly* compilation and tabulate it (Attachment 2 to Division Reply Brief) by separating the gas from the electric utilities.[2] The two right-most columns of the page displaying gas utility ROEs show the "Previous ROE" and the ROE established in the most recent commission proceeding. Of the 21 listings on the Division's table, 18 provide "before and after" values: **9 show increases** from previously established rates; **three are unchanged**; and **6 show reductions**—i.e., 50% more ROE increases than reductions.

Beyond these values taken directly form the tables attached to the Division's and Committee's briefs, the collection of explanatory endnotes that they were omitted suggest that two of the six reductions are questionable. Namely, the two entries for Southwest Gas Company a represent "black box" settlement for which there was no Commission finding on ROE. This is identified in endnote 34 on the table.[3] The ROE values reported in the table are only estimates provided by the Southwest Gas to the *Fortnightly* and do not have the same "standing" for a proper comparison vis-à-vis Commission-declared values in all other cases. If these two entries are eliminated as

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originally introduced during the hearings and marked as Exh. Cross-exam 5.

[2]The lower portion of the "gas page" in the Division's Attachment 2 tabulation mischaracterizes certain information from Exh. QGC 2nd Rev. 1.13R. The column labeled "Previous ROE" displays the *actual returns* for the most recent 12-month data available for the 12 companies listed; they are not commission-authorized returns.

[3]There is a typo in the *Fortnightly* table on the second Southwest Gas/Nevada entry. The footnote number appended to the value in the right-most column (10.64%) should be 34, not 36. (Verified by Southwest Gas personnel.)

having no comparable before-and-after values, the tally would be: 9 up, 3 unchanged and 4 down—unquestionably *not* a downward trend.[4]

But either way you look at it, the data in November 15, 2002, *Fortnightly* article establish that any trend relative to past authorized levels is *up*, not down.

To a certain extent, parties who argue that the *Fortnightly* data and the data in Exh. QGC 2nd Rev. 1.13R do not definitively establish QGC's ROE are correct. But, this information does provide a useful "reasonableness test" under today's financial conditions, and it tends to establish two points:

1. Contrary to the claims of the Division and Committee, there is *no* evidence of a downward trend in authorized ROEs for gas utilities; if anything, the trend is upward. Indeed, application of the Division/Committee reasoning to the actual up-versus-down gas-company count in the *Fortnightly* table corroborates Questar Gas Company's request for an increase in ROE. That is, a Commission order increasing QGC's ROE would be consistent with approximately ⅔ or more of the gas cases reported in the 2002 *Fortnightly* article for which ROE conclusions were stated by the respective commissions.

2. Division and Committee claims that ROEs between 10.0% and 10.5% are reasonable are not consistent with the data in these compilations.

[4]A similar inspection of the electric utilities with comparable before-and-after ROEs shows 9 increased, 5 unchanged and 11down—not exactly a "trend," even for the electrics. If all the data on the Division's tables are combined (gas and electrics), there is still no downward trend: 18 up; 8 unchanged; 15 down—more up than down.

Respectfully submitted this 10th day of December 2002.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Supplement to Post-Hearing Brief of Questar Gas Company was mailed, postage prepaid, this ___ day of December, 2002 to the following:

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Supplement to

the Division of Public Utilities'

Attachment 1 of its Reply Brief