

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 DPU EXHIBIT 1.0ST
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Artie Powell, Ph.D.

Testimony in Support of the Stipulation

September 22, 2006

1 ARTIE POWELL, PHD
2 TESTIMONY IN SUPPORT OF THE STIPULATION
3 DOCKET No. 05-57-T01
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5 **Q: Will you please state your name, address and title for the record?**

6 A: My name is Artie Powell; my work address is 160 East 300 South, Salt Lake City,
7 Utah, 84114; I am the Energy Section Manager for the Division of Public
8 Utilities.

9 **Q: Are you the same Dr. Artie Powell that submitted pre-filed direct and**
10 **surrebuttal testimony in this docket?**

11 A: Yes.

12 **Q: Will you start by summarizing the major features of the Stipulation?**

13 A: The Stipulation can be summarized in 5 points:

- 14 1. The parties agree to a 3-year pilot program consisting of:
- 15 i. The Company filing a comprehensive DSM program for
16 Commission approval within 60 days of the Commission's
17 approval of the Stipulation, thus capturing some efficiency
18 benefits this heating season.
- 19 ii. Implementation of the CET tariff as specified in the Joint
20 Application and modified by the Stipulation.
- 21 iii. A comprehensive 1-year review of the CET tariff and any

22 proposed alternative mechanisms or positions. This review is
23 proposed to be completed in September 2007.

24 2. Upon approval of the Stipulation, the Company, Questar Gas
25 Company, will credit the CET balancing account by \$1.1 million.
26 Additional accruals will be recorded as if the CET tariff had been in
27 effect since July 1, 2007.

28 3. Beginning in September (or October) of 2006, the Company will
29 make semiannual filings requesting amortization of the CET
30 balancing account balance. These filings will be timed to
31 approximately correspond with the traditional semiannual pass-
32 through filings. The first request for amortization will be for the
33 \$1.1 million credit, which will lower DNG rates by the same
34 amount. Amortization of other accruals will be sought in future
35 requests.

36 4. Through August 2007, the Company may not amortize CET accruals
37 amounting on a net basis to more than 0.5% of total Utah
38 jurisdictional GS revenues based on the most recent 12-month period
39 at the time of the amortization. Also, through August 2007, the
40 Company may not accrue a net amount to the CET balancing
41 account for amortization that totals more than 1.0% of the total Utah
42 jurisdictional GS revenues based on the most recent 12-month

43 period.

44 5. The Company will transfer \$1.3 million of unspent research and
45 development monies to the DSM cost balancing account.

46 **Q: Do you believe that the Stipulation is in the public interest?**

47 A: Yes. The Division's witnesses, Dr. Compton and I, filed extensive testimony in
48 support of the Joint Application. We concluded that the Joint Application was in
49 the public interest. There is nothing in the Stipulation that is inconsistent with the
50 Joint Application and, therefore, I conclude that the Stipulation is in the public
51 interest.

52 **Q: There are several aspects of the Stipulation that were not part of the original**
53 **Joint Application. For example, as you indicated earlier, the Stipulation**
54 **restricts the amortization and accrual amounts through August 2007. Why**
55 **are these differences not inconsistent with the original Joint Application?**

56 A: In paragraph 18, the Joint Application reads, "At any time during the Pilot
57 Program, any party can recommend to the Commission that the Pilot Program be
58 modified or discontinued." The differences presented in the Stipulation are
59 consistent with the pilot program's intention that it could be changed upon
60 approval of the Commission at anytime during the three year program.

61 Furthermore, the differences contained in the Stipulation, I believe, improve the
62 pilot program, which again was the intent of allowing changes in the first place.
63 For example, the limits on accruals and amortization mitigate what some parties

64 perceive as risks being shifted from the Company to rate payers. As I pointed out
65 in rebuttal testimony, some reports indicate that instead of the risks being shifted,
66 they are eliminated. Nevertheless, the limitations set forth in the Stipulation do
67 limit any potential change in distribution non-gas rates over the first year and,
68 therefore, can be said to benefit customers.

69 Another example is the Company's obligation under the Stipulation to file within
70 60 days of the Commission's approval of the Stipulation a comprehensive DSM
71 program. While it was anticipated that the Company would do so, the Joint
72 Application was not clear on the timing between the implementation of the CET
73 tariff and the commencement of any DSM program. The Stipulation makes this
74 link between the two explicit. It is hoped that DSM benefits can be captured for
75 this heating season. In addition to committing to filing a DSM program for
76 approval, the Company has agreed under the Stipulation to reduce rates by \$1.1
77 million through a credit accrual to the CET balancing account, but will not seek
78 recovery of any additional accruals to the CET balancing account until the spring
79 of 2007. If the Company is derelict in its obligations to DSM under the
80 Stipulation, the Division, or any other party, can recommend at the spring filing
81 that the Company not be allowed to recovery or amortize the additional accruals
82 to the CET account.

83 Again, I believe the changes provided for in the Stipulation are consistent with the
84 original intent of the Joint Application and actually improve the pilot program.

85 **Q: Isn't the CET tariff a radical departure from traditional regulatory practices**
86 **and, thus, can not be construed as being in the public interest?**

87 A: Not at all. As I pointed out in surrebuttal testimony, and as the Committee's
88 witness Dr. Dismukes points out in rebuttal testimony, the CET is similar in its
89 operation as a high fixed customer charge. Customer charges are nothing new
90 and, therefore, the CET is not a radical departure. Thus, we can conclude that the
91 Stipulation is in the public interest.

92 **Q. While several parties raise objections to the Joint Application, no party**
93 **provided a concrete alternative for the Commission to consider. Is that**
94 **correct?**

95 A: Yes, that is correct.

96 **Q: How does the Stipulation then address the concerns raised by other parties**
97 **that other mechanisms, such as partial decoupling, achieve the same results**
98 **that are intended by the CET tariff?**

99 A: While I believe the testimony of the Joint Applicants successfully refutes the
100 concerns and claims, both against the CET tariff and of alternative mechanisms,
101 of other parties, the Stipulation allows interveners more time to fully develop
102 alternatives to the proposed CET tariff if they so chose.

103 As you are aware, despite several hundred pages of testimony, no intervener
104 proposed an alternative to the CET tariff proposed in the Joint Application. The
105 Committee's witness, Dr. Dismukes, proposed in rebuttal testimony five

106 modifications to the CET tariff and pilot program. Presumably, if these
107 modifications were adopted by the Commission, the program and tariff as defined
108 in the application would be acceptable to the Committee. With the exception of
109 one proposed modification,¹ and slight alterations in a couple of others, the
110 Division found that these modifications were either part of the Joint Application
111 or were consistent with the intent and therefore acceptable modifications. The
112 Stipulation memorializes these modifications.

113 For example, Dr. Dismukes recommended an explicit connection between the
114 implementation of the CET tariff and DSM programs. As I previously explained,
115 the Stipulation accomplishes this by implementing the CET tariff and obligating
116 the Company to file with the Commission a comprehensive DSM program within
117 60 days of the Commission's approval of the Stipulation.

118 **Q: In surrebuttal testimony, didn't Dr. Dismukes offer several alternatives to**
119 **the CET tariff?**

120 **A:** Yes, however, none of these alternatives were fully developed or explained to an
121 extent that they could be evaluated side-by-side with the CET tariff. Although the
122 Division's surrebuttal testimony pointed out the inherent flaws and potential
123 statistical pitfalls of these alternatives, this critique was necessarily made in
124 general terms. The Stipulation can potential correct this by allowing parties time

¹ The Division argued in surrebuttal testimony that adjustments to the Company's ROE were not warranted or justified on the basis of the evidence available at the time of filing.

125 to fully develop one or more alternatives that can be evaluated side-by-side with
126 the CET tariff.

127 **Q: How long does the Stipulation allow for the development of these**
128 **alternatives?**

129 A: Under the terms of the Stipulation, parties have until June 1, 2007 to file written
130 testimony or a position statement. This time should be more than adequate given
131 the three years that the issues in this case have been under investigation by the
132 Division, and other regulatory bodies and interested parties.

133 **Q: The Stipulation specifies or recommends that a comprehensive review be**
134 **undertaken at the end of the first year or about September 2007. Is it the**
135 **intent that this review would provide the basis for both an evaluation of the**
136 **CET tariff or any alternatives and the efficacy of the Company's DSM**
137 **Program?**

138 A: No. The intent is that the first year review would be an opportunity to evaluate
139 side-by-side the CET tariff with any alternatives that parties have proposed in the
140 June 1, 2007 filing. One year, in my opinion, is not an adequate amount of time
141 to determine efficacy of any DSM program. Most likely, it will take several years
142 for any DSM program to ramp up to its full potential. While the Division will
143 closely monitor the Company's DSM program, one reason for a three year pilot
144 program is to allow sufficient time for the DSM program to develop and mature to
145 a point that meaningful evaluations and recommendations can be presented to the

146 Commission.

147 **Q: Does that conclude your testimony?**

148 A: Yes.