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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Joint Application of  
Questar Gas Company, the Division of  
Public Utilities, and Utah Clean Energy  
for Approval of the Conservation  
Enabling Tariff Adjustment Option and  
Accounting Orders

Docket No 05-057-T01

POSITION STATEMENT ON  
SETTLEMENT STIPULATION

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On 13 September, Questar Gas Company, The Division of Public Utilities, Utah Clean Energy, and the Committee of Consumer Services filed their Settlement Stipulation, and on the same day, the Commission promulgated its Fourth Amended Scheduling Order in this Docket.

That Order required that written testimony or position statements be filed by 8:30am on 25 September.

At lines 92 through 94 of the Testimony he filed on 21 September, Barrie L McKay somewhat misstated the sequence of events leading up to the filing of the Stipulation. In fact, I notified Questar's attorneys late on 10 September that I would not sign the

Stipulation. It was acknowledged on the morning of 11 September, at which point the intentions of the URA, at least, were still unknown.<sup>1</sup>

Throughout this proceeding, I have been primarily concerned that Questar's true intent has nothing to do with encouraging energy conservation and everything to do with shifting risk from its stockholders to its customers. Nothing that I have seen or heard has persuaded me otherwise.

The essential facts are that, while the average of individual customers' usage has been falling for many years, at an average rate in excess of the 1% used by Mr McKay in his Exhibit SR 1.4 to illustrate the potential savings customers might realize through the program Questar promotes and referenced in his 21 September Testimony at lines 187-189, total consumption for GS-1 customers has steadily risen, with the unsurprising result that Questar Gas Company's revenues and earnings have lately been increasing towards, and have very likely exceeded on an historical basis, their authorized rate.

All of this has to be seen against the backdrop of Questar Corporation strategy over many years.

It hived off Wexpro and Questar Exploration and Production from the vertically integrated utility that had enjoyed a monopoly and the opportunity to recover from its captive customers all its costs and a rate of return on its investment in Utah since 1929. Eventually the Utah Supreme Court overturned Commission approval of the Wexpro

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<sup>1</sup> I take some exception to Mr McKay's classification of my holiday as "extended"; where I come from, extended means more than a fortnight and, since I would be gone for ten days, this was really only a short break. ☺

part, but that subsidiary proudly claims on its website that it “earns a 19% unlevered after-tax return on its investment base.”

Wexpro has singularly failed to increase production from what Questar Gas proudly calls “company-owned wells” to keep abreast of growing demand and service territory expansion, with the result that the Company has cheerfully exposed its customers to rampant market price increases. QGC customers pay more, while QE&P revenues soar and QC profits and stock prices skyrocket.

QGC customers have never enjoyed the benefit of a Yellow Pages type imputation of profits from QE&P. Nor, after Questar hived off its Pipeline Company and used those assets, that had for so long been paid for entirely by local distribution customers, to increase corporate revenues and profits by transporting gas, including coal-seam gas, for new customers outside its utility service territory, have QGC customers seen one penny of benefit. Quite the contrary.

Tactics of this kind contributed to the 42% rate increase QGC customers faced going into last winter and the 49% increase in profits QC stockholders enjoyed during the 4<sup>th</sup> Quarter of 2005. Questar Gas Company’s return is only a fraction of the value to Questar Corporation, its management and stockholders of their ability to milk the Company’s cash cow.

Questar Corporation is exceedingly proud of its profit, stock price and dividend record, and tends to those aspects of its business with great care. Meanwhile, the QGC customers who provide it with a cash flow in excess of \$1 Billion annually see reduced

levels of service and care for their safety, while simultaneously paying vastly greater bills.

Now comes this so-called Conservation Enabling Tariff, which has nothing to do with aligning the interests of QGC with those of its customers, and everything to do with further safeguarding those profits, stock values and dividends as market prices continue to increase, driving technological solutions and consumer economic reactions that will continue to result in falling average individual customer usage.

In his testimony, Mr McKay refers extensively to policy statements by the American Gas Industry, the Natural Resource Defense Council, NARUC, and Governor Huntsman, and to the National Action Plan for Energy Efficiency. It is unfortunately the case that so many well-intentioned people are missing the point, often misdirected by narrow policy agendas or the profit motive. And it's the poor old customer who pays, every time.

Market prices will continue to increase, of course, while the electricity industry gobbles up more and more natural gas instead of focusing on clean coal and other base load technologies. They will continue to be volatile while purchase contracts track them on a short-term basis. And GS-1 customers will suffer the consequences while Utah regulators allow Questar to buy half the gas they need in that market instead of drawing it from the Corporation's own resources at cost-of-service rates.

Now the Committee is supposed to be an advocate for positions most advantageous to a majority of residential and small business customers, the Division to act in the public interest, and the Commission to protect customers against the depredations of powerful

and wealthy monopoly corporations while at the same time affording stockholders the opportunity to earn a reasonable rate of return on their investment. Unfortunately, those powerful and wealthy utilities have been so effective at persuading the Legislature to change the law in their favor, and at having their elected and appointed surrogates in government beat up the Committee, that the Utah regulatory agencies have tucked their institutional heads really, really far between their legs, so that the Division is a joint applicant, and the Committee has signed the Stipulation.

The Commission should have converted Questar's Application into a general rate case so that it could have considered reducing the Company's rate of return (which is already far, far to high for the risks stockholders run in owning QGC) at the same time as thinking about the CET, but it wouldn't. (And neither the Division nor the Committee would encourage it to.)

And the Commission ought to reject this Stipulation, but it won't. (And neither the Division nor the Committee will encourage it to.)

As I have said, QGC's authorized rate of return should be decreased to reflect the reduced risk stockholders will bear when this CET is approved. Nobody else will admit it but, just for the first year, that's exactly what the \$1.1 Million referred to on line 200 of Mr McKay's Testimony is: the Company sacrificing a slice of one year's return to buy the Division's and Committee's agreement to this deal.

After Year 1? Nothing there, unless the Committee can summon the courage to try and persuade the Commission to amend the CET. For sure, Questar will be back next year asking that it be extended. No way will the Company let it expire.<sup>2</sup>

In the face of all this, I have at last decided that I won't oppose the stipulation. For now. I make no commitment with regard to Year 2. I feel somewhat insulated against the worst of the possible effects of the CET while that \$1.1 Million is being amortized. Once that is gone, however, all bets are off.

Respectfully submitted on 25 September 2006,

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Roger J Ball

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<sup>2</sup> Nobody – Alan, Barrie, Scott or Colleen – wants to join Chuck in Wyoming.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Position Statement on Settlement Stipulation of Roger Ball in Docket 05-057-T01 was mailed electronically on 25 September 2006, to the following:

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