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2 February 2005

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application for Approval of a Conservation Enabling Tariff Adjustment Option and Accounting Orders		Docket No 05-057-T01
		REQUEST FOR A STAY OF PROCEEDINGS, AN INTERIM RATE DECREASE, CONVERSION TO A GENERAL RATE CASE, AND A DISCLOSURE ORDER

1 On 16 December 2005, Questar Gas Company, the Utah Division of Public Utilities and Utah Clean Energy jointly requested Commission approval of tariff changes that would result in changes to the Company's Schedule GS-1 rates.

2 There is de facto acceptance that the issues surrounding their request are complex, sufficiently so that the applicants on 12 January modified their initial anticipation of a hearing within 30 days.

3 The application contemplates tariff changes based upon adjustments compared with its last general rate case in Questar Gas Company's depreciation, cost of borrowing and rate of return – all elements in the Commission determining an approved revenue requirement – allocation between customer classes – rate spread – and recovery through general and pass-through rates – rate design.

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4 These are changes of sufficient complexity, indeed they would comprise a substantial part of a general rate case, that they ought not to be contemplated outside a general rate case.

5 From a policy perspective, the effect of the joint application will be to shift financial risk from stockholders to customers. This should not be contemplated without a comprehensive investigation of the Company's authorized rate of return on equity.

6 It will also shift the burden of proof from the Company to anyone who would question the "Pilot Program". Since Questar will hold all the data, and since Mr McKay has carefully limited the invitation he expressed for anyone to audit them to the usual ground rules (meaning that only the Division may routinely examine the Company's books and records outside an open docket), how is anyone other than the Division, a joint applicant in this matter, to support such a challenge? (See 8, *infra*.)

7 Another effect will be to adopt new depreciation rates. The Company appears convinced that the study it commissioned requires rates to be reduced if they are to be just and reasonable. Since no-one appears able to remember the last time the Company's depreciation rates were investigated, changes should not be implemented with finality prior to a thorough investigation. However, customers should receive relief immediately on an interim basis, or rates will plainly not be just and reasonable.

8 The applicants assert that declining natural gas consumption per Questar Gas customer is a barrier to the Company earning its authorized rate of return, and so a

disincentive to its encouraging conservation, which has the potential to achieve benefits including reduced heating bills for customers.

9 In fact, QGC Exhibit 1.4 filed with Mr McKay's Direct Testimony on 23 January 2006 shows that the temperature-adjusted usage per customer has fallen from about 176 decatherms in December 1980 to about 113 in December 2005, a reduction in consumption of about 36%, or some 1.43% per annum. (Data kindly supplied by Questar in response to my request shows that the numbers for purely residential customers are about 140, 87, 38% and 1.51%, respectively.)

10 There are plainly questions – about the need to further accelerate conservation, and the reality that customers who have already achieved such large reductions in usage are paying far more for heat today than they did 25 years ago – that need exploration over a longer time-frame than even the extension of time that the applicants requested on 12 January will permit.

11 During the 20 January Technical Conference, with regard to slide 17 of their presentation (Exhibit 1.7, page 2 of 3, filed with Mr McKay's Direct Testimony), I asked Questar what would be the impact on the \$42.23 number on line 1, column 4, if the test year data from the Company's last general rate case had been used. I understood that the answer was \$44.95, suggesting that rooting guaranteed per-customer revenue on 2005's numbers might well result in significant over-earning in future.

12 Further data kindly provided by Questar, in response to another of my requests, shows that total system temperature-adjusted usage has increased fairly steadily from 1986 to 2005, and is projected so to continue through 2015.

13 Although Dr Powell argues that marginal declines in usage and revenue per customer are the essence of the applicants' case, it seems evident that someone should have an opportunity to provide the Commission with analysis to clarify whether the contrary indications – that growing total system consumption may be contributing to increasing Company earnings – are more to the point.

14 The Division is, in fact, of the opinion that the Company may now be over-earning, but is inhibited from initiating a case seeking reduced rates (notwithstanding the Commission's power under UCA §54-4-4(3)(b)(ii) and (iii) to use some variant of an historical test year) because it might instead choose to use a future test year, and the Division apparently either doubts its ability, or lacks the will, to require Questar to provide projected numbers, either on its own authority (UCA §54-4a-1) or by requesting a Commission order (UCA §54-4-1),¹ so concludes it would be unable to support a request for a show-cause order.

15 The Division, therefore, has chosen to join Questar in this application because it believes a \$10.2M reduction in rates now is better than waiting for some eventual general rate case. Questar is apparently satisfied that a reduction of such a magnitude

¹ Division witness Dr Powell's pre-filed written testimony (DPU Exhibit 1.0, 23 January 2006, pages 10 and 11, lines 170 through 180), and remarks to commissioners and other participants in the 20 January Technical Conference.

now would not be confiscatory, although it would prefer, notwithstanding Mr McKay's profuse and repeated assurances to the Utah Committee of Consumer Services at its 15 December 2005 meeting that no strings were attached to this reduction, not to have it implemented without the "Conservation Enabling Tariff" risk- and burden-shifting "Pilot Program".

16 I therefore respectfully support the request of the Committee that the Commission stay further proceedings in this Docket, implement the \$10.2M reduction, which both Questar and the Division appear to otherwise consider reasonable, on an interim basis, and convert the 3 February hearing to a scheduling conference for a general rate case in which every part of the Company's expenses, investments and revenues – along with this application – can be properly examined.

17 By making the reduction interim, the Commission will protect the interests of both stockholders and customers.

18 I further respectfully request that the Commission order Questar to provide all parties to this Docket with all the actual and projected data they will require to conduct a comprehensive review of the Gas Company's expenses, investments and revenues, and access to all its books and records.

Respectfully submitted on 2 February 2006,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Request to Intervene in Docket 05-057-T01 of Roger J Ball was hand delivered, sent by United States mail, postage prepaid, or mailed electronically on 2 February 2006, to the following:

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