

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the)
Application of Questar Gas)
Company to Amortize the) Docket No. 07-057-03
Conservation Enabling Tariff) Commissioner Boyer

June 25, 2007 - 1:30 p.m.

Location: Heber Wells Building
160 East 300 South
Salt Lake City, Utah

Reporter: Lanette Shindurling, RPR, RMR, CRR
Notary Public in and for the State of Utah

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A P P E A R A N C E S

FOR THE DIVISION:

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1 P R O C E E D I N G S

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3 COMMISSIONER BOYER: Let's go on the
4 record, please. This is the time and place set for
5 the hearing in Docket No. 07-057-03 entitled In the
6 Matter of the Application of Questar Gas Company to
7 Amortize the Conservation Enabling Tariff.

8 Shall we begin with making our
9 appearances? And Ms. Bell, you're the moving party.
10 Would you like to commence, please?

11 MS. LARKIN BELL: Yes. Colleen Larkin
12 Bell on behalf of Questar Gas Company.

13 MR. GINSBERG: Michael Ginsberg appearing
14 for the Division of Public Utilities.

15 MR. PROCTOR: Paul Proctor appearing for
16 the Committee of Consumer Services.

17 COMMISSIONER BOYER: Thank you, and
18 welcome. Let's proceed. Since you're the moving
19 party, Ms. Bell, why don't you go ahead and tell us
20 why you're here. As Judge Jenkins used to say, tell
21 me who you are and why you're here.

22 MS. LARKIN BELL: I believe I know why I'm
23 here. I have Barrie McKay here, and he's available
24 to be our witness and should probably be sworn at
25 this time.

1 COMMISSIONER BOYER: Okay, Mr. McKay.
2 Will you please stand and raise your right arm. Do
3 you swear that the testimony you're about to give in
4 this proceeding shall be the truth, the whole truth,
5 and nothing but the truth?

6 THE WITNESS: Yes.

7 COMMISSIONER BOYER: Please be seated.

8 Thank you. You may proceed.

9

10 BARRIE L. MCKAY,
11 called as a witness, having been duly sworn,
12 testified as follows:

13

14 EXAMINATION OF MR. MCKAY

15 BY MS. LARKIN BELL:

16 Q. Mr. McKay, please state your full name for
17 the record.

18 A. Barrie L. McKay.

19 Q. And by whom are you employed?

20 A. Questar Gas Company.

21 Q. And what is your title at Questar Gas
22 Company?

23 A. I'm the manager of regulatory affairs.

24 Q. And in that capacity are you familiar with
25 this application?

1 A. Yes.

2 Q. Was it prepared by you or under your
3 direction?

4 A. Yes.

5 Q. Would you please summarize this
6 application for us today.

7 A. Yes. In compliance with our tariff, which
8 was previously approved by this Commission in the
9 stipulation regarding the conservation enabling
10 tariff, Questar Gas Company was required to file at
11 least twice a year in -- it was anticipated to file
12 at the same time we filed our pass-through filings
13 but in a separate docket, the request to amortize the
14 balance in the 191.9 account, which we refer to as
15 the CET balancing account. And last fall we did that
16 in the 06-057-10 docket and then this spring in the
17 07-057-03, which is this docket that we have again
18 requested to amortize that balance.

19 The balance currently in that account at
20 the time that we made this filing was the \$844,000.
21 And in the course of their audit we helped to provide
22 some of the information to the Division of Public
23 Utilities that helped to understand how that balance
24 had changed from a \$1.1 million balance, which was a
25 credit balance last fall, to the \$844,000. And

1 actually, we think that it might be helpful to
2 provide that information to all the parties here
3 today.

4 MS. LARKIN BELL: I think what I'll do is
5 hand this out, and after Barrie is finished
6 explaining it, then I'll move for its admission.

7 COMMISSIONER BOYER: That will be fine.
8 Thank you.

9 THE WITNESS: We put this together in
10 actually exhibit format, but it's simply a summary of
11 the accounting entries that have taken place since
12 the inception of the conservation enabling tariff. I
13 should point out that the Commission approved this I
14 think back on October 6 of 2006. So technically,
15 according to stipulation, it began on the 1st of the
16 month following Commission's approval of the
17 Stipulation.

18 In the Stipulation, however, it was agreed
19 that the Company would make a \$1.1 million credit to
20 begin with and then also make accounting entries for
21 the months of July, August, September, and October as
22 if it had been in effect at that time.

23 So it shows those entries in here. Our
24 application last fall included the request to
25 amortize the \$1.1 million, which we have been doing.

1 And in fact, you can see on this exhibit that by the
2 end of March we had amortized back in customers'
3 bills on line 12, column F, about \$771,000.

4 At that same time we had obviously made
5 monthly entries, and it is according to tariff also
6 that the balancing account accrues interest, whether
7 it's on a credit balance or debit balance. And so
8 this is a summary of that total interest amount,
9 which brings us to the \$844,000 which we requested in
10 this application be allowed to be amortized in
11 customers' rates.

12 And so the summary of that is attached in
13 the application as far as Exhibit 1.1, which shows
14 the change of where we currently are at and then what
15 the change would be if we adjust for this
16 amortization which is in column C, and then column D
17 is what our proposed rates would be. And this is for
18 the GS-1 class as well as the GSS class, which are
19 the two classes of customers that are affected by the
20 conservation enabling tariff.

21 We then have provided the tariff sheets
22 themselves, which shows simply the column D from
23 Exhibit 1.1; and then we have included those rates in
24 the distribution on gas portion of the tariff rates
25 on our GS-1 class and our GSS class.

1 Typically people ask how this affects a
2 typical customer, and so we have provided Exhibit 1.3
3 which shows what the estimated change would be for a
4 customer using 80 decatherms on an annual basis, and
5 that comes out to be \$1.92. I would observe, to make
6 sure everybody understands, that typically \$800,000
7 change is not that, but we need to remember that
8 we're moving from a \$1.1 million credit amortization
9 back to zero and then 844 the other way. So it's
10 basically a change from \$1.1 million credit to an
11 \$800,000 debit, And the results are a relatively
12 small change in customers' rates.

13 And the only other observation that we
14 would make is that when we filed this application at
15 the start of May, we had anticipated perhaps having
16 the opportunity to have them effective on June 1.
17 Recognizing that today is the 25th of June, we would
18 like to formally request, assuming that it is a
19 positive order, that these rates are able to go into
20 effect on July 1.

21 MS. LARKIN BELL: I think it would be
22 appropriate at this time for us to move for admission
23 of the Company's application and the handout that we
24 handed out entitled "CET accounting entries." I
25 would like the Company's application with its

1 attached exhibits to be marked as QGC Exhibit 1, and
2 then I propose that this accounting entry summary be
3 marked as QGC Exhibit 2.

4 COMMISSIONER BOYER: Okay. So marked. Do
5 you wish to move their admission as well?

6 MS. LARKIN BELL: Yes.

7 COMMISSIONER BOYER: Any objection?

8 MR. PROCTOR: No, no objection.

9 COMMISSIONER BOYER: The exhibits, QGC
10 Exhibit 1 and QGC Exhibit 2, are admitted. Thank
11 you.

12 MS. LARKIN BELL: Mr. McKay, does that
13 conclude your summary?

14 THE WITNESS: Yes.

15 COMMISSIONER BOYER: Thank you, Mr. McKay.

16 Do counsel for the DPU or the committee
17 have any questions for Mr. McKay?

18 MR. GINSBERG: I don't. I think it would
19 be easier if we present our views on this just
20 through Mr. Barrow.

21 COMMISSIONER BOYER: Excellent. Let's
22 proceed to that point, and we'll see if the
23 Commission has any.

24 MR. PROCTOR: I did have one question to
25 ask, if I may.

1 COMMISSIONER BOYER: Mr. Proctor, please
2 proceed.

3 MR. PROCTOR: Thank you, Mr. Chairman.

4 BY MR. PROCTOR:

5 Q. Mr. McKay, have you reviewed the
6 Department of Public Utilities memorandum with
7 respect to this application?

8 A. Yes, I have.

9 Q. Are you familiar with a provision where
10 the Division is discussing the impact of the CET
11 adjustments on the GSS class?

12 A. Yes.

13 Q. Does the Company agree with the Division's
14 conclusions about the fact that -- well, concerning
15 the GSS and the application of the CET to it?

16 A. I think -- I'm going to assume that what
17 you're observing there is that the GSS class by the
18 Division's observation here is receiving a double
19 weighted portion of either the credit which we had
20 previously or the debit ;and that simply occurs
21 because we are percentage changing the rates, which
22 is again what was agreed to by stipulation and
23 ordered by the Commission.

24 So yes, I agree that the Division has
25 observed that the GSS class changes and the

1 percentage change of what their DNG rate is as well
2 as the GSS rate also changing on a percentage.

3 Q. Well, given the fact that we all
4 understand, then, that it doubles, the CET has the
5 effect of doubling the change, positive or negative,
6 is there anything to prohibit the company from in
7 fact as to the CET impact on the GSS simply applying
8 a non-doubled amount, either credit or debit? Is
9 there any accounting problems or anything such as
10 that it would prevent?

11 A. No. I think accounting wise that could be
12 done. I do think according to the stipulation, which
13 I'll observe as -- I mean, let's be really frank
14 here. At the time that we made the application the
15 first time, and at the time that -- it was also at
16 the time that the GS-1 and GSS application was before
17 this Commission, I'll be very frank that I had
18 thought that the GSS rate might be not existing at
19 this time. That said, I'll observe that I think that
20 the stipulation says that we need to have this
21 amortization be a percentage change.

22 Now, that said, if the Commission were to
23 rule that the percentage change is the percentage
24 change for the GS-1 class and have that be the same
25 pennies that also were changed on the GSS, that can

1 be done. But if I have a \$2 rate and \$4 rate and I'm
2 supposed to change those both 1 percent, that \$4 rate
3 is going to get changed more dollar wise than the \$2
4 one. And that's all that we're seeing impacted here.

5 Q. And I guess we agree with the Division's
6 observation, and that observation also points out
7 that the GSS cost that was -- or, excuse me -- the
8 cost of extension that was recovered in the GSS
9 remains the same, and yet we're now adjusting that
10 for a conservation enabling tariff. So we're
11 actually recovering even more costs of extension from
12 the GSS, although, granted, we're also reducing their
13 rate by a greater amount too.

14 But the problem that I have, and I guess
15 I'm asking the Commission -- or the Company whether
16 or not they would be willing to, for the purposes of
17 this amortization and any other that comes under the
18 CET, request that the Commission apply only a -- the
19 CET adjustment, not double to the GSS.

20 A. And essentially what you're asking is very
21 consistent with what we viewed our position was in
22 that prior case, and that is, we would be happy to
23 take whatever the pot is, and it's the 844 here; and
24 instead of doubling the amount that would go to the
25 GSS class, we would just keep that all in the same

1 pot and have it be effective.

2 So in essence here, there will be a
3 slightly little bit higher amount that's going to be
4 going to the GS-1 class, because the double amount
5 that was going to be going to the GSS will not be a
6 double amount. We're comfortable with that. We had
7 offered that previously in that case, but we do feel
8 that what was put forth here needed to have it be a
9 percentage change.

10 But I'll agree with that and observe also
11 that I think that the Division has suggested that
12 that might be something that we bring up at the next
13 general rate case. But if that's something that the
14 Commission wanted to try to tackle here and simply
15 say we don't want to perpetuate an issue, if that's
16 how it was viewed, or maybe they want to continue to
17 have it be ordered consistently with where it has
18 been, perhaps, in the past. We're at their
19 discretion to do as we are ordered, and we can do
20 either one.

21 MR. PROCTOR: May I make a comment,
22 Chairman?

23 COMMISSIONER BOYER: Please, Mr. Proctor.

24 MR. PROCTOR: The concern that I think the
25 committee has, of course, is that there is something

1 of an artificial doubling of what is -- of the GSS
2 rate insofar as the CET is applied to it, and again,
3 positive or negative, which isn't necessarily
4 reflective of the cost to extend the service when it
5 was originally done and the reason why the GSS rate
6 is what it is. At the same time, there's a problem
7 with the order that the Commission issued discussing
8 its reasons for not changing the GSS.

9 And so we have a problem that would be
10 resolved, hopefully, in a general rate case, but at
11 the same time we don't know whether or if there is
12 one that's coming forward. So it's a problem that we
13 continue to struggle with.

14 I don't know whether the Commission in
15 this particular proceeding can wrestle with that as
16 well and come to a reasonable solution or whether the
17 stipulation would even allow it. But the Committee I
18 think would like this issue to be addressed in some
19 manner in your order that you would be issuing in
20 connection with this amortization to give us some
21 direction as to how we're supposed to deal with this
22 particular unusual circumstance in the CET as it's
23 applied to the GSS.

24 I hope I'm not asking too much, or if I'm
25 out of place, I certainly want to be told that. But

1 it's an ongoing problem, and the Division's memo
2 really points it out as something that we still have
3 to deal with.

4 COMMISSIONER BOYER: So at this point your
5 request, Mr. Proctor, is that we address that issue
6 in our order either approving or disapproving the
7 amortization schedule?

8 MR. PROCTOR: Right. In connection with
9 the application of the CET amortization to the GSS
10 rate and whether or not it must be done that way
11 consistent with the earlier order on the GSS rates
12 that was issued, or whether because of the unique
13 nature of the CET, whether or not that would change
14 in some way the application of it.

15 COMMISSIONER BOYER: Okay. Well, we'll
16 certainly take your request under consideration.

17 Mr. Ginsberg?

18 MR. GINSBERG: It's not clear to me what
19 his request is. Is it that the Commission resolve
20 the issue in this proceeding, or just indicate in its
21 order how it should be addressed in some other
22 proceeding? Or is it either way?

23 COMMISSIONER BOYER: I don't wish to put
24 words in Mr. Proctor's mouth; but apparently he is
25 concerned that we have no general rate case scheduled

1 and have no way of knowing when that might occur. He
2 agrees that that would be one form in which this
3 issue could be addressed.

4 Is that correct, Mr. Proctor?

5 MR. PROCTOR: Yeah, I think that's fair.

6 And again, it may be the Commission can't in this
7 particular amortization request under the scope as
8 defined by the application deal with that. But it is
9 something that the Division has pointed out, and
10 obviously that the CET itself in its application or
11 amortization of various amounts over time and the
12 stipulation that led to the CET assumed certain
13 things. It also took place before the GSS
14 proceeding, which we really learned so much more
15 about the way the GSS was originally designed, its
16 purpose, the cost it was intended to recover.

17 And so now it's true the GSS communities
18 have received a certain benefit, doubling of the CET
19 amortization up to this point. Now we're looking at
20 increasing their rates. Both are artificial to some
21 extent, and I wonder whether or not that application
22 of the CET is consistent with the purpose of the CET
23 as far as, again, recognizing the lost revenues on a
24 contemporaneous basis, not for what was paid 20 years
25 ago, but on a contemporaneous basis due to DSM,

1 primarily, and other causes.

2 COMMISSIONER BOYER: I think we understand
3 your request, Mr. Proctor.

4 Do you wish to say anything further,
5 Mr. Ginsberg?

6 MR. GINSBERG: No.

7 COMMISSIONER BOYER: Ms. Bell, do you have
8 any redirect?

9 MS. LARKIN BELL: Yes. The Company has
10 some concerns with this proposal that we just heard.
11 I would like Mr. McKay to sort of clarify what the
12 company's position is.

13 COMMISSIONER BOYER: Please, Mr. McKay.

14 THE WITNESS: We would like to observe
15 that this is not a new issue. We just have had
16 further understanding of what the GSS and the GS-1
17 rate relationship is. But since their inception,
18 what you are seeing happen in this application is
19 what has happened in every general rate case. We
20 have percentage changed the GS-1 and the GSS. We
21 went through lively discussion in trying to determine
22 what we thought we should do in the company in making
23 this application.

24 We finally resolved the issue by
25 observing -- we lost our application on GS-1 and GSS

1 if we had thought the win was to combine them. But
2 the order was, keep them separate.

3 We have applied the same methodology that
4 you always have had presented before you in
5 percentage changing these rates. We've been far more
6 educated on this as we went through the GS-1 and GSS;
7 and there's a strong argument that can say, hey, it
8 should be this way or it should be that way, and we
9 actually thought we vetted it well before you, and I
10 think you had a very well written order on
11 descriptions of some the paths of resolving some of
12 those issues, one of which is a general rate case.
13 We know that there are some other paths that some
14 people are following through, some of their
15 approaches, legislative or others, that were
16 suggested there.

17 But I want you to understand that what
18 we've put forth here is very consistent, in fact, it
19 is consistent with how previous rate changes have
20 gone forth. And if there is now a point in time that
21 we want to change future ones, my observation is we
22 ought to do that outside of this particular docket,
23 as the memo has suggested, where it can be fully
24 vetted and not have it be confused with what's being
25 put forth to you, which is simply following a

1 previous order and a tariff, which is that you're
2 supposed to change the amortization.

3 COMMISSIONER BOYER: Okay. I think we
4 understand the issue. Do you have anything further,
5 Mrs. Bell?

6 MS. LARKIN BELL: Yes. One additional
7 comment. And I haven't thought this through
8 entirely, but I'm not sure the order in the GSS case
9 necessarily contemplated this kind of change, and I
10 would request that we please be given an opportunity
11 to go back through the order to see if it was
12 contemplated by that order. It was my recollection
13 that it was not.

14 COMMISSIONER BOYER: It was my intention
15 to review the order approving the settlement, the
16 stipulation as well. I read it this morning and I
17 don't recall that it was addressed, but I wasn't
18 looking for it, either.

19 Is that all you have, Ms. Bell?

20 MS. LARKIN BELL: Yes.

21 COMMISSIONER BOYER: Mr. Ginsberg, do you
22 have anything to offer?

23 MR. GINSBERG: Just Mr. Barrow. Would you
24 like to swear him in?

25 COMMISSIONER BOYER: Do you swear that the

1 testimony you're about to give in this proceeding
2 shall be the truth, the whole true, and nothing but
3 the truth?

4 THE WITNESS: Yes.

5 COMMISSIONER BOYER: Thank you. You may
6 be seated.

7 MR. GINSBERG: Does the Commission have
8 the Division's memorandum up there?

9 COMMISSIONER BOYER: We do.

10 MR. GINSBERG: I would ask that that be
11 marked as DPU Exhibit 1.

12

13 MARLIN H. BARROW,
14 called as a witness, having been duly sworn,
15 testified as follows:

16

17 EXAMINATION OF MR. BARROW

18 BY MR. GINSBERG:

19 Q. Would you state your name for the record.

20 A. Yes. It's Marlin H. Barrow.

21 Q. And your position with the Division?

22 A. I am currently a technical consultant with
23 the Division of Public Utilities.

24 Q. Did you prepare what's been marked as DPU
25 Exhibit 1?

1 A. Yes, I did.

2 Q. And DPU Exhibit 1 recommends that the
3 tariff go into effect; is that correct?

4 A. Yes. In my memo we recommended that the
5 tariff be approved as filed. I would like to make
6 one little recommendation to that. The Division has
7 done some of the audit work that was shown on the
8 exhibit that Questar Gas passed out, but we have not
9 actually gone in and actually gone through the actual
10 customer account verification yet. And for that
11 reason the Division would like to recommend that this
12 increase only be done on an interim basis until we
13 can complete that audit and supply a memo to the fact
14 that we are now satisfied with all the calculations
15 in this process. We hope to have that done within 30
16 days of the Commission's order on this particular
17 tariff.

18 Q. You're recommending, though, that the
19 tariff go into effect July 1st at the company?

20 A. Yes.

21 Q. Do you have any other comments you wish to
22 make or summarize your memo particularly with respect
23 to the GSS issue?

24 A. Yes. It was not the Division's intention
25 to really get into the GSS issue right now. We just

1 wanted to point out the fact that we thought in this
2 small instance it really highlights what we view as a
3 problem with the GSS calculation method. The
4 Division recognizes that the way this increase was
5 calculated is consistent with the way that all of the
6 increases or decreases with respect to the GSS rates
7 have been done.

8 What we thought we wanted to look at was
9 in light of the recent hearing on the GSS and the
10 information that was obtained in that hearing, that
11 we feel that there is some injustice in the way this
12 rate is calculated when you look at the fact that the
13 original application for the GSS rates included some
14 cost for new, oh, infrastructure which at the time
15 that cost was put in certainly did not increase or
16 decrease as time goes on.

17 So we felt it would be more appropriate to
18 maybe look at adjusting that incremental adder or
19 rate for the GSS as a fixed rate rather than a
20 doubled rate that changes up or down with each issue.
21 But our intent was to certainly address this in a
22 rate case and not in this proceeding at all.

23 I just wanted to clarify. That was --
24 just for informational purposes, we wanted to
25 highlight that fact but not really to address it in

1 this proceeding.

2 Q. Do you have any other comments you wish to
3 make at this point?

4 A. No, nothing more at this point.

5 MR. GINSBERG: With that, I would ask that
6 what's been marked as DPU Exhibit 1 be admitted.

7 COMMISSIONER BOYER: Any objection?

8 MR. PROCTOR: No objection.

9 MS. LARKIN BELL: No objection.

10 COMMISSIONER BOYER: Okay. DPU Exhibit 1
11 is admitted into evidence.

12 Ms. Bell, do you have any questions of
13 Mr. Barrow?

14 MS. LARKIN BELL: No. The Company would
15 not oppose if these were to be placed on an interim
16 basis. We would not object to that. But we would
17 like to be sure they become effective at least as
18 soon as July 1st, given that.

19 COMMISSIONER BOYER: Thank you.

20 Mr. Proctor, do you have questions of
21 Mr. Barrow?

22 MR. PROCTOR: No questions. Thank you.

23 COMMISSIONER BOYER: Mr. Proctor, do you
24 have any evidence to --

25 MR. PROCTOR: No. The committee has none.

1 COMMISSIONER BOYER: Let's see if the
2 Commission has any questions.

3 Commissioner Campbell, do you have any
4 questions?

5 COMMISSIONER CAMPBELL: Let me just ask
6 two. The first one is to you, Mr. Barrow. When you
7 talk about your review of the GSS rates, protection
8 in a general rate case, are you considering other
9 factors as well as this flat rate, for instance? I
10 mean, it seemed when that stipulation came to us it
11 was an all or nothing, and it seems to me there are
12 other cost of service principles that could be
13 maintained. For example, a 6 percent interest rate
14 is common between the customer and the utility as far
15 as obligations to one another and if that were
16 applied in the GSS instance or the EAC. Is that
17 something in addition that you would potentially look
18 at?

19 MR. BARROW: At the time we thought about
20 this, but we thought one of the main problems -- in
21 the GSS instance, one of the main problems was really
22 trying to define what that original cost was to
23 determine what kind of an interest rate you would
24 apply that to. It's our understanding that you
25 cannot really break out how much of that cost was

1 really attributed to those facilities, since they
2 were all just rolled in to the total rate base of the
3 company without really breaking that out. So it
4 would be really hard to determine what that cost. We
5 were just envisioning that whatever that first rate
6 increase was, that that incremental increase ought to
7 be fixed at that amount throughout the time period
8 that was agreed to in the agreement.

9 COMMISSIONER CAMPBELL: Interesting. Let
10 me -- Mr. McKay, let me ask you this question. As
11 far as the amortization is concerned, what if any
12 amount do you attribute to your conservation
13 programs?

14 MR. MCKAY: We launched the conservation
15 programs effective on about the 26th of February,
16 which was when the advertising began. As you know,
17 they were effective back to January. And so there
18 was a lot of furnaces or water heaters or others that
19 might have been sold that wouldn't have been through
20 our promoting of it. It might have been through
21 parties being aware of it, but it would be rather
22 difficult to say that very much of that is associated
23 with active promoting of it.

24 COMMISSIONER CAMPBELL: So you really
25 can't contribute or account for any of this increase

1 related directly to your conservation efforts?

2 MR. MCKAY: Not to the specific new
3 programs.

4 COMMISSIONER CAMPBELL: Thank you.

5 COMMISSIONER BOYER: Commissioner Allen?

6 COMMISSIONER ALLEN: Thank you. Just to
7 follow up to Commissioner Campbell's question. I
8 take it from what I remember from our earlier
9 hearings and from what I just heard now, you are
10 going to be calculating at some level the number of
11 people taking advantage or utilizing these programs;
12 you'll be trying to imply in the future some
13 calculations; you will be able hopefully to give us
14 that information in the future. Is that correct?

15 MR. MCKAY: Absolutely. In fact, the
16 measurement valuation issue, some of the measures
17 that we have implemented that the Commission has
18 approved lend themselves quite adequately to be able
19 to do exactly that. Others are more difficult to get
20 our hands around related to market transformation,
21 general advertising. I will observe that this change
22 that we're talking about is about as near to zero as
23 you could if you recognize that we amortized about
24 \$771,000 of a credit there. But if you just add up
25 the entries, we're showing we're basically at about a

1 neutral for a 15-month period as far as revenue
2 allowed versus revenue that we've collected.

3 So there's not a whole lot that anybody
4 can claim that is either an increase or decrease in
5 usage attributed to anything here; it's more because
6 of maybe some amortization that has been occurring,
7 at least for this period of time.

8 COMMISSIONER ALLEN: And one more thing
9 real quickly. I think it may be helpful to clarify
10 the record for someone who's reading this down the
11 road that even though you've vowed to have this
12 changed to July 1st, nothing else changed, you're
13 still talking about the amortized number, the number
14 that's at the end of the March period, nothing else.
15 And all of your documents still remain the same, your
16 backup.

17 MR. MCKAY: That's a good clarification,
18 and that is correct. Thank you.

19 COMMISSIONER BOYER: Mr. Campbell, please.

20 COMMISSIONER CAMPBELL: So if I were to
21 get hit up by some consumer advocate, when you said
22 this is no change, I mean, how would you respond, or
23 help me to respond to that when they say this looks
24 like a bait and switch. You threw this credit of a
25 million there, and now you just take it away six

1 months later.

2 MR. MCKAY: Simple observation would be
3 that the good news is, is that over the first 12
4 months that the -- and I would observe and you're
5 going to have the opportunity to hear this as the
6 case is presented before you perhaps this fall, but
7 it's important in my testimony to observe that you
8 need to look at this on an annual basis. And the
9 annual basis is a 12-month period, because from any
10 given month, depending on what we actually collect
11 and what we spread as our allowed revenue, that it's
12 not going to match 2005, which was how we spread that
13 dollar amount that we were allowed. And so you are
14 going to have some positive and negative, and that's
15 why we're actually proposing that you do a three-year
16 average of that.

17 And so on an annual basis I would respond
18 to that consumer advocate that it's been very
19 beneficial to the consumer, because \$1.7 million on
20 the first calendar year was credited to them. What
21 happens this next year is yet out. We're not through
22 that, and to make a judgment or a statement of it
23 would be premature.

24 COMMISSIONER CAMPBELL: Is it better,
25 then, if an annual look is more accurate that we

1 adjust these annually rather than semiannually?

2 MR. MCKAY: You are exactly on the lines
3 of what we debated with much passion and even
4 wondered if we should ask the Commission that in this
5 proceeding. Our decision at the time was, no, we
6 have a stipulation. We have a three-year pilot
7 program. For us to be thinking that we know
8 everything about this, because we've been doing this
9 now for a few months, would also be premature.

10 We felt it would be wiser for us to go to
11 the pilot program; if there's something way out of
12 line, you could come and really see; but we did not
13 see this as something that would be viewed as way out
14 of line, and so we thought it would be wise to
15 continue to move forward on an every six month basis.

16 COMMISSIONER BOYER: Mr. Proctor?

17 MR. PROCTOR: Yes, Mr. Chairman.

18 Commissioner Campbell's questions raised one for the
19 Committee, if I could.

20 COMMISSIONER BOYER: Please proceed.

21 MR. PROCTOR: Mr. McKay, what period of
22 time is covered by this amortization request?

23 MR. MCKAY: It's a 12-month period that
24 the amortization has been projected over. In other
25 words, we have taken the \$844,000, taken a 12-month

1 period of usage to come up with what we would
2 amortize in a rate.

3 MR. PROCTOR: From what to what?

4 MR. MCKAY: That is consistent and was
5 designed in a stipulation as well as what we've
6 complied to this in application, to have it match our
7 pass-through volumes that were filed at the same
8 time.

9 MR. PROCTOR: What month did those end?

10 MR. MCKAY: They began with a June 1 of
11 '07 through May of '08 was the estimated usage
12 period.

13 MR. PROCTOR: But the number that you
14 actually requested, was that through March of 2007?

15 MR. MCKAY: You're asking what the balance
16 is made up of?

17 MR. PROCTOR: What the balance.

18 MR. MCKAY: Yes. The balance is, yeah.
19 It's what exactly we show on Exhibit 2 is where the
20 balance is at the end of March of '07.

21 MR. PROCTOR: What's the balance for
22 April? Do you have that number yet?

23 MR. MCKAY: I do not. I can find that
24 out. It wasn't increased, though. I'm not trying to
25 say one way or the other. In fact, it was an

1 increase in May also.

2 MR. PROCTOR: An increase in favor of the
3 company or in favor of the rate?

4 MR. MCKAY: It would be an increase in
5 favor of all who wanted to collect the allowed
6 revenues.

7 MR. PROCTOR: And how much is that? Do
8 you know?

9 MR. MCKAY: I can get that for you. I
10 know what the allowed amount was for the month, but I
11 don't have the total. I did not come prepared with
12 that. I'm sorry.

13 MR. PROCTOR: So if it were amortized
14 today, would that be another increase?

15 MR. MCKAY: Yes. We have increased the
16 April balance, increased it. In other words, the
17 April entry was a debit entry. The May entry was a
18 debit entry. And --

19 MR. PROCTOR: Do you know the extent of
20 the debit entry?

21 MR. MCKAY: That's what I'm happy to get
22 you if you would like, but I'm not requesting that
23 right now.

24 MR. PROCTOR: Thank you very much.

25 COMMISSIONER BOYER: I have one question

1 for Mr. Barrow. I noticed in the order which
2 approved the stipulation, while the stipulation
3 itself provided certain caps on the amount that could
4 be amortized on an annual basis with a smaller amount
5 the first year and one the second year, I assume the
6 Commission is tracking those caps?

7 MR. BARROW: Yes, they are tracked; and
8 the amount being requested is well under those caps.

9 COMMISSIONER BOYER: Well, particularly
10 where we started with a \$1.1 million credit.

11 MR. BARROW: Yes.

12 COMMISSIONER BOYER: Is there anything
13 further? Let's take about a ten-minute recess, and
14 we'll see if we can rule from the bench on this
15 issue. If you won't hold me to that ten minutes.
16 Plus or minus.

17 (Recess taken.)

18 COMMISSIONER BOYER: Okay, Let's go back
19 on the record. We're prepared to rule from the bench
20 at this time. However, we will issue an order within
21 the next few days with further discussion on these
22 issues.

23 Our ruling is that we are going to approve
24 the application on an interim basis as requested. At
25 this point in time we're not changing the GSS rates,

1 at least in this order; but our order will contain a
2 discussion of certain aspects of the double margin
3 issue on a going forward basis. And we will prepare
4 our own order.

5 Thank you very much. Any questions?

6 Thank you.

7 (The hearing was concluded at 2:16 p.m.)

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REPORTER'S CERTIFICATE

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

I, Vicky McDaniel, Registered Professional Reporter and Notary Public in and for the State of Utah, do hereby certify:

That the foregoing proceedings were taken down by Lanette Shindurling in stenotype on June 25, 2007, at the place herein named, and was thereafter transcribed by me and that a true and correct transcription of said proceedings, to the best of my ability, is set forth in the preceding pages.

WITNESS MY HAND AND OFFICIAL SEAL this 4th day of January, 2009.

Vicky McDaniel, CSR, RMR
Notary Public
Residing in Salt Lake County