BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION NON-GAS RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	)))))	DOCKET NO. 07-057-13 DPU EXHIBIT 5.0

PRE-FILED DIRECT TESTIMONY

BRYANT R. NORMAN, CPA

ON BEHALF OF THE

UTAH DIVISION OF PUBLIC UTILITIES

April 21, 2008

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BRYANT NORMAN, CPA
DIVISION OF PUBLIC UTILITIES

Q: Please state your name, business address, employer, and current position or title for the record.

A: My name is Bryant Norman, and my business address is 160 E 300 S, Salt Lake City, 84114. My employer is the Division of Public Utilities ("Division") in the Utah Department of Commerce. My current position is Utility Analyst.

Q: Would you briefly describe your qualifications?

A: Yes. I have a Masters of Accountancy degree from Utah State University and a Bachelor of Science degree in business administration from Brigham Young University. I have over thirty five years of professional finance and accounting experience, thirty three of which were in the natural gas industry. I held various positions including manager, supervisor and analyst within the accounting, budgeting and forecasting departments. My employment with the Division began in July 2007.

Q: Have you previously testified before the Utah Public Service Commission ("Commission")?

A: No, I have not.

Q: Have you testified previously before any other any other regulatory commission?

A: No, I have not.

Q: What is the purpose of your testimony in this proceeding?

A: The purpose of my testimony today is to review proposed adjustments to Questar Gas Company's ("Company") operating and maintenance expense forecast for the proposed 12 month test year ending December 31, 2008.

Q: Would you summarize these adjustments?

A: Yes, I will. There are several proposed adjustments. The first is an adjustment to decrease labor expense by $1,548,300. The second is to decrease bad debt expense by $319,052. The third is a reduction to corporate administrative and general expense by $1,345,607. The fourth adjustment is a reduction to the proposed reserve accruals of $281,597.

Q: Would you describe the adjustment to labor?

A: I will. There are two parts involved with the payroll adjustment. Let me begin with the Company's labor annualization adjustment. In his testimony, Company witness Mr. Mendenhall refers to the methodology adopted by the Commission in

Docket No. 93-057-01 concerning an adjustment which annualizes the test period labor expense. However, there is a major distinction between the docket he references and the current docket. In Docket No. 93-057-01, the adjustment was appropriate because test year information was based on historical data, adjusted for known and measurable items. In the current docket, the test period is a forecast period, a period which is currently underway. The data presented for the test period already includes a labor forecast for 2008, including a projected overall labor increase effective September 2008. By annualizing the months of September through December and adjusting the 2008 labor estimate by this annualized amount, the Company in effect overstates the total estimate for 2008. Therefore, the Division recommends eliminating the Company's proposed labor annualization adjustment of $1,324,166.

The second part of the labor adjustment deals with the proposed percentage pay increase. The amount of the Company's proposed pay increase is 4.5%, effective September 2008. As explained in detail below, it is the Division's position that a 3.0% increase is appropriate. The effect of this adjustment would be a reduction to 2008 test year of $224,134.

In response to Division data request 20.01 and 20.02 requesting specific sources for the proposed 4.5% labor increase, Mr. Curtis provided a copy of the 2007 Economic Survey for the State of Utah. Contained in this survey is a bar chart depicting the average pay increase for 2008 in Utah at 4.8%. Using this same publication's April 2008 edition, this same line item reflects a 2008 average pay increase of 3.5%.

On February 19, 2008, the Division met with Company representative Gary Robinson and members of the Company's human resource department. Information presented at that meeting showed that the average company COMPA ratio is 1.016, meaning that the average employee is currently being paid at 101.6% of the individual employees' mid point of their respective salary range. It was also stated that approximately 70% or more of the Company's workforce has a COMPA ratio of 95% or higher. What this implies is that those employees who are at 100%, or at the respective mid point of their salary range, will receive a smaller percentage increase than if their COMPA ratio was less than 100%. It was the Company's stated goal to have job classifications meet the Company's defined standard category classification. It was also stated that the standard category classification salary increase and pay range increase has averaged 3% over the past several years.

In light of the new Economic Survey and the discussion with the Company's human resource department, the Division recommends an increase of 3%, effective September 2008. The effect of this percentage change is a reduction of $224,134 in payroll expense.

Q: Does this conclude your payroll adjustments?

A: It does.

Q: Will you describe the adjustment to bad debt expense?

A: I will. The Company's calculation of bad debt uses a three-year average of net charge-offs for each year divided by booked system revenues. As explained below, the Division's position is that a two-year average is more representative of what is actually occurring.

The Company's QGC Exhibit 6.3U, Page 19 of 42, computes the percent of uncollectible accounts to total revenues for the years 2005, 2006 and 2007 at 0.90%, 0.53% and 0.35%, respectively. The historical booked system revenues 12 months ending June 2005, 2006 and 2007 were $813,188,395; $1,062,893,921; and $923,674,151, respectively. The corresponding net charge-offs for these same time periods are $7,339,577; $5,678,212; and $3,272,672, respectively. The computation of these amounts results in a three-year average percentage of uncollectible accounts to total revenues of 0.58%. The Company further reduces this percentage by 0.08% to reflect an assumption that the proposed increase in security deposits will reduce the bad debt percentage. The net result is a three-year average percentage of uncollectible accounts to total revenues of 0.50%.

Q: Why does the Division's believe a two-year average is more representative of the current environment?

A: First, the percentage change in the percent of uncollectible accounts to total revenues from 2005 to 2007 is a decrease of 61%. In comparison, the percentage change from 2006 to 2007 is a decrease of 34%. Due to the magnitude of the amounts in 2005, a three-year average leans more heavily towards the year 2005, a period that experienced higher gas prices than currently forecasted for 2008.[1] Gas purchase prices in years 2006 and 2007 have decreased. The Company's current purchased gas cost projections indicate that the current forecast will be

[1] Refer to Questar Gas 2008-2009 RFP Preliminary Analysis and Discussion April 1, 2008 slide presentation. For purchased gas costs, specific reference is made to Slides 11 through 17, *Purch. Avg. Commodity.*

higher gas purchase prices in 2008 than what occurred in 2007, but not to the levels experienced during 2005. Since the test period used in this particular docket is year-end 2008, a two-year average would better reflect current forecast conditions.

Q: What is the effect of using a two-year average?

A: Using the Company's data, substituting a two-year average for their three-year average, the percent of uncollectible accounts to total revenue is 0.45%. After reflecting the 0.08% adjustment for the effect of proposed lower security deposits as done in the Company's calculation, the adjusted percent of uncollectible accounts to total revenues is 0.37%. The dollar impact of this reduction in bad debt expense is a decrease of $319,052.

Q: Does this conclude your proposed adjustment to bad debt expense?

A: It does.

Q: Will you describe the Corporate Administrative and General adjustment?

A: I will. Division data request 12.01 requested a detailed listing of line 8 in Mr. Curtis's Exhibit QGC 5.5U Operating and Maintenance Expense. The Company's response gives details for these expenses by years 2005, 2006 and 2007. Year 2007, line 8 of the response is shown as $6,140,407 as opposed to $7,453,194 as shown in Mr. Curtis's exhibit. In Mr. Curtis' testimony, test year December 31, 2008 is simply an increase of 2.5% over the 2007 amount. When using the updated numbers provided in the response, increasing $6,140,407 by 2.5% equals $6,293,917 or a reduction of $1,345,607 for the test year ended December 31, 2008.

Q: **Does this conclude the Corporate Administrative and General expense adjustment?**

A: It does.

Q: **Would you explain the adjustment to the reserve accrual?**

A: The reserve accrual adjustment of $714,930 as presented by Company witness Mr. Mendenhall on Exhibit QGC 6.3U, page 37 of 42 is a five year average of yearly legal accruals. The Division agrees with the practice of using an average to project an amount that would be representative of a future test year's expense. In the past, a five year average has been used to calculate this adjustment. However, in this particular docket, the five year average of years 2003, 2004, 2005, 2006 and 2007 has two periods that contain unusual events that would not be considered to be indicative of a normal or future year. Year 2004 has no legal accruals and year 2007 shows an accrual of $2,274,650. The three remaining years of 2003, 2005 and 2006 reflect legal accruals of $300,000; $550,000; and $450,000, respectively. The average reserve accrual of years 2003, 2005 and 2006 is $433,333, an amount the Division believes better reflects a normal year. The net effect to the reserve accrual is a reduction of $281,597.

Q: **Does this conclude your adjustment to the reserve accrual?**

A: It does.

Q: **Does this conclude your prepared testimony?**

A: Yes it does.