

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application)
of Questar Gas Company to) Docket No.
Increase Distribution Non-Gas) 07-057-13
Costs, Rates, and Charges, and)
Make Tariff Modifications)

TRANSCRIPT OF HEARING PROCEEDINGS

TAKEN AT: Public Service Commission
160 East 300 South
Room 403
Salt Lake City, Utah

DATE: 14 October 2008

TIME: 9:00 a.m. to 5:00 p.m.

REPORTED BY: Debra A. Dibble; CSR, RPR

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

2 CHAIRMAN BOYER: Let us go on the record
3 then, please.

4 This is the time and place duly noticed for
5 the hearing on the cost of service rate design and rate
6 spread portions of the Questar rate case Docket
7 No. 07-057-13.

8 The caption of the case is: In the matter
9 of the Application of Questar Gas Company to Increase
10 Distribution Non-Gas Rates and Charges and Make Tariff
11 Modifications.

12 Before we went on the record, we determined
13 that we would proceed first to hear the motion by the
14 Company and the UAE Intervention Group, to strike
15 portions of documents and testimony of witness for the
16 Committee of Consumer Services.

17 Committee of Consumer Services wish to defer
18 the motion until beginning Mr. -- or Dr. Dismukes'
19 testimony. We've decided to do that at the outset to
20 give parties an opportunity to prepare their direct and
21 rebuttal testimony and summaries.

22 Then we will proceed, witness by witness,
23 beginning with the Company's witnesses,
24 cross-examination, questions by the Commission, and
25 then we'll proceed to Division's witness, the

1 Committees and the other parties to the case.

2 Having said that -- and I --

3 Let's enter our appearances on the record
4 first, and then the other preliminary matter is, what
5 do we do about swearing witnesses, and pre-filed
6 written testimony.

7 Do we wish to admit that at the outset, or
8 do it witness by witness?

9 We don't have a preference really.

10 Counsel care one way or the other?

11 MS. LARKIN BELL: Witness by witness.

12 MR. PROCTOR: Witness by witness would be my
13 preference.

14 CHAIRMAN BOYER: Okay. We'll do this that
15 way, then. Let's begin by entering -- beginning with
16 you, Ms. Bell.

17 MS. LARKIN BELL: Colleen Larkin Bell and
18 Gregory B. Monson for Questar Gas Company.

19 Thank you.

20 MS. SCHMID: Patricia E. Schmid, with the
21 Attorney General's Office for the Division of Public
22 Utilities.

23 CHAIRMAN BOYER: Thank you, Ms. Schmid.

24 MR. PROCTOR: Paul Proctor on behalf of the
25 Committee of Consumer Services.

1 COMMISSIONER BOYER: Mr. Evans?

2 MR. EVANS: I'm William Evans for the
3 Industrial Gas User Intervention Group.

4 And Mr. Chairman, where we have not filed
5 testimony nor do we intend to cross-examine witnesses,
6 we appreciate the opportunity to intervene. And if
7 there are post-hearing briefs or comments, we'd like to
8 know about that and have a chance to file.

9 Otherwise, I'd ask to be excused from
10 counsel table during the hearings.

11 CHAIRMAN BOYER: You may, Mr. Evans. You're
12 welcome to stay and you're welcome to go.

13 MR. EVANS: Thank you.

14 CHAIRMAN BOYER: Thank you for that.

15 Mr. Dodge?

16 MR. DODGE: Gary Dodge, on behalf of the UAE
17 Intervention Group.

18 MR. BALL: Roger Ball, on my own behalf, and
19 perhaps in the interests of other similarly-situated
20 residential ratepayers.

21 CHAIRMAN BOYER: Are you appearing on behalf
22 of your organization, the Utah Alliance here?

23 MR. BALL: Not in this proceeding,
24 Mr. Chairman.

25 CHAIRMAN BOYER: Not in this proceeding?

1 MR. GARDNER: Dale F. Gardner, appearing on
2 behalf of the AARP.

3 CHAIRMAN BOYER: Welcome, Mr. Gardner.

4 MR. GARDNER: Thank you.

5 MS. WOLF: Betsy Wolf, on behalf of Salt
6 Lake Community Action Program and Crossroads Urban
7 Center.

8 CHAIRMAN BOYER: You are also welcome,
9 Ms. Wolf.

10 Are there any other parties who wish to
11 participate today who would intervene?

12 Okay. Seeing none, let's proceed now to the
13 arguments on the motion to strike portions of
14 Dr. Dismukes' testimony, beginning with the Company.
15 Then we'll go to Mr. Dodge, and see if anyone else
16 wants to weigh in.

17 MS. LARKIN BELL: Thank you.

18 On October 9th, we filed our motion to
19 strike portions of the sur-surrebuttal testimony of
20 Dr. Dismukes. And the reason we did this was because
21 this witness has a pattern of putting into evidence, or
22 putting into testimony new evidence in his surrebuttal
23 testimony.

24 We have, as you know, filed a motion to
25 strike in other procedures. We, again, filed a motion

1 to strike in this proceeding, limited to the new
2 evidence that was placed for the first time -- or the
3 new evidence that was placed in the record for the
4 first time in this witness's surrebuttal testimony.
5 That evidence consisted of merely a spreadsheet -- or I
6 should say a PowerPoint example of this witness's
7 proposal, without the backup, without the analyses,
8 without any data.

9 We asked a data request, but the turn-around
10 time between surrebuttal and a hearing was obviously
11 very short. Typically parties don't anticipate they
12 would be doing discovery after surrebuttal is filed.

13 We did receive some data on the Friday
14 before the hearing, but this creates a problem for us
15 in trying to determine what it is this witness is
16 doing.

17 I think, in particular, this is prejudicial
18 to the company in that this witness had all of the data
19 and models available to him at the very outset of this
20 proceeding.

21 We filed this case in December. There were
22 updates filed pursuant to the test year proceeding, I
23 believe in March. There was nothing that this witness
24 didn't have available to him that he could not have put
25 into the record his analysis earlier in this

1 proceeding.

2 I believe it properly should have been
3 placed in his direct testimony.

4 For us now to respond, given the
5 Commission's rulings in this proceeding, makes it very
6 difficult.

7 You have indicated to us that you do not
8 allow live surrebuttal to respond to new evidence
9 placed for the first time in the record in surrebuttal.

10 So we believe, Commissioners, that we are
11 left with no other choice but to strike this -- this
12 particular piece of evidence in this witness's
13 testimony. I'm not asking that the entirety of the
14 testimony be stricken, but just that piece that goes to
15 the example that for the first time he's placed into
16 the record.

17 Additionally, he said in his direct
18 testimony that he did not have a dispute with our
19 witness's study with regard to that issue.

20 So we didn't even believe that that was a
21 contested issue, and did not have notice that it would
22 be again until the filing of this testimony.

23 So for these reasons, we think it's
24 appropriate to at least admonish this witness, who has
25 had a pattern of doing this. This is not the first

1 time. And to let him know that this is not what we
2 allow in this -- this jurisdiction, or clarify the
3 rules with regard to live surrebuttal so we can
4 somewhat appropriately respond.

5 Now, given what we had asked, and given the
6 data that we received and the studies we received on
7 Friday, we are prepared today, if you allow us to
8 respond, but in a very limited fashion.

9 We didn't have a lot of time between the
10 filing of the data request and the receipt of the study
11 to then prepare a full-fledged response, but our
12 witness today, if you allow, is prepared to respond in
13 a limited fashion.

14 CHAIRMAN BOYER: Thank you, Ms. Bell.

15 Mr. Dodge, you're also a moving party.

16 MR. DODGE: Yes. And just very briefly.

17 The Committee, I think, led the way in prior
18 phases of this docket, and other recent dockets, in
19 asking the Commission to somewhat change the historical
20 practice of limiting live surrebuttal and limiting
21 last-minute testimony that can't properly be responded
22 to in a very short period of time. And for that
23 reason, UAE joined the motion.

24 Frankly, we were surprised to see that
25 coming from the Committee in light of that. And, like

1 the Company, I think we just sort of need direction.
2 Are we going to stick with the rulings that you
3 recently entered saying no last-minute surprises, no
4 live surrebuttal on new topics, or are we going to
5 re-allow that?

6 We kind of just need to know the rule. So
7 that's why we joined the motion and are asking you to
8 tell us which way we're going to go.

9 CHAIRMAN BOYER: Thank you, Mr. Dodge. Does
10 anyone else wish to speak for the motion?

11 All right. Mr. Proctor?

12 MR. PROCTOR: Thank you, Mr. Chairman, and
13 Commissioners.

14 If I appear visibly upset, it's because I
15 am.

16 With three exceptions, I think their motion
17 is in good faith. But it's still patently wrong.

18 Let's get these exceptions out of the way,
19 so they don't distract a fair consideration of what
20 Dr. Dismukes' testimony is, and where it comes from in
21 relationship to the layers of testimony that this
22 Commission said could be filed.

23 First, I don't believe that it's ironic that
24 the Committee has asked this Commission to enforce its
25 historical practices and historical rules to enforce

1 the Administrative Procedures Act. And to enforce, to
2 the extent they even apply in this forum, the Rules of
3 Evidence.

4 Now, in this particular case, the Commission
5 issued a scheduling order that provided for direct
6 testimony, rebuttal testimony, and surrebuttal
7 testimony. It had times within which those were to be
8 filed.

9 The Committee complied in each case with a
10 timely filing, in accordance with the Order.

11 What the Company and UAE are asking to do is
12 to strike it because they want to add new evidence in
13 sur-surrebuttal.

14 Don't -- don't get confused, please, about
15 what it is that this Commission allowed, and what the
16 Company and UAE want to now do.

17 What they want to do is the very thing that
18 the Committee objected to when, for example, in the
19 Rocky Mountain Power case, which they cite, on three or
20 four days before the hearing, with an intervening
21 weekend, Rocky Mountain Power says, Oh, we have
22 sur-surrebuttal consisting of a lot of evidence which
23 we're not going to provide to you, and we intend to do
24 it.

25 We filed a motion, understandably, to

1 enforce this Commission's scheduling order and this
2 Commission's practices.

3 The same thing happened with Questar.
4 Sur-surrebuttal was the request. Outside of this
5 Commission's orders.

6 The Committee objected, because we're trying
7 to enforce the historical procedures to provide you
8 with the information that you've allowed for.

9 Both of those were granted, as they should
10 have been. It's not ironic, then, for the Committee,
11 through its counsel, that was me, to review the
12 evidence, carefully, and make a carefully crafted
13 objection to its entry into evidence. That's all that
14 was. That's not ironic, that's what would be expected.

15 Their motion suggests something nefarious
16 about the fact that the Committee complied with the
17 scheduling order when it filed its surrebuttal
18 testimony, whatever day that was. And they're
19 suggesting, Oh, it was late, or, We didn't have time to
20 consider it. Well, that was your order.

21 So once again, just as in the CET case, we
22 get a motion at approximately 5:30, on the day before
23 the weekend was to begin, to be heard this morning in
24 this particular hearing.

25 There's nothing nefarious about our filing

1 testimony entirely in a -- in compliance with this
2 Commission's order.

3 And finally, and this is perhaps the most
4 disturbing.

5 It's -- it's truly underhanded to disparage
6 Dr. Dismukes in order to express some dissatisfaction
7 with this Commission's management of the problem in the
8 CET case.

9 The Company -- the Commission did. They had
10 the testimony for 18 days. They came the night before,
11 the evening before the hearing and filed the motion.
12 We argued it. The Commission managed the situation by
13 providing an additional opportunity.

14 So to the extent that it was new
15 information, it was managed.

16 This is not that case.

17 And as I will explain soon, everything in
18 our surrebuttal testimony was in compliance with the
19 rules of this proceeding -- of this forum, and it
20 relates directly to the Company's rebuttal testimony.
21 Which is as it should be.

22 Those are three things that are questionable
23 faith. We may talk about them. But let's get to the
24 real merits of it.

25 First of all, this is a quasi-judicial

1 administrative body. You are not a court. And
2 accordingly, under both the Administrative Proceedings
3 Act and this Commission's administrative rules,
4 technical rules of evidence are not binding. And, in
5 fact, the APA goes further. It requires that there be
6 a full disclosure of relevant facts, and that parties
7 be afforded a reasonable opportunity to present their
8 positions.

9 So when you issued a scheduling order asking
10 for full disclosure, and a reasonable -- and providing
11 the reasonable opportunity, you provided for those
12 three layers of testimony.

13 And -- and that, in fact, is what
14 differentiates the rulings in the instances that the
15 Commission has cited; the two rate cases, where the
16 conduct of the utilities in timing and content of
17 sur-surrebuttal was not in keeping with this
18 Commission's order.

19 A great distinction.

20 Next.

21 Dr. Dismukes, in his first layer of
22 testimony, provided information about proper
23 allocations that derived from Questar's plant study.

24 He discusses those same proper allocations
25 derived from the Questar plant study in surrebuttal.

1 He did not change his recommendation. He
2 did not change the basis of his recommendation. He
3 provided examples in surrebuttal that were raised and
4 invited by the Company in its rebuttal testimony.

5 There's nothing new there.

6 If you look at the rules of evidence, and
7 the way that this Utah Supreme Court has -- has
8 interpreted the extent to which one may cross-examine a
9 witness, bear in mind that they're talking about a
10 court procedure where the technical rules of evidence
11 are strictly enforced.

12 Using that as an analogy, in an environment
13 where the rules are liberally applied, if applied at
14 all, proper rebuttal and surrebuttal is that testimony
15 which tends to modify, contradict, or explain the
16 testimony of another witness, or one's own witness.
17 It's to address, in the same manner, the evidence that
18 another party may have raised in prior testimony.

19 The purpose is to get deeper and deeper with
20 each layer of testimony, into the case, to provide that
21 you full disclosure.

22 Its purpose is not to start at a superficial
23 level, in direct testimony, and never dive deeper.

24 That is, in fact, what counsel for the
25 Company has just argued.

1 If you don't say it in direct, entirely in
2 direct, then you can't say it ever again. And that is
3 ludicrous.

4 You're supposed to make facts clearer.
5 Others may have confused it.

6 Misstated it. As in this case.

7 Misinterpreted it, as in this case.

8 So the purpose is to explain the evidence,
9 inferences from the evidence, and the subtleties of the
10 evidence, as it proceeds.

11 Now, had Dr. Dismukes come in and said, No,
12 we ought to allocate 100 percent of the costs to a
13 particular class, or a particular element within their
14 plant study; I would agree, inappropriate.

15 But to have a position and a recommendation,
16 and in each layer of testimony, provide more and more
17 facts and circumstances and conditions that support
18 that original recommendation, that's what you're
19 supposed to hear.

20 The Company discusses things such as
21 causative factors in its plant study.

22 Distribution plant costs. How are you going
23 to allocate them to a particular meter?

24 That's what they did in their original
25 direct.

1 In Exhibit CCS-5.2, Dr. Dismukes describes,
2 This is what the Company's main extension policy is
3 using throughput. These are the allocation factors.

4 If you put throughput into those allocation
5 factors, as Dr. Dismukes did, this is the result.
6 That's in direct testimony.

7 How is it, then, that the Company responded?

8 On page 296 of Mr. Robinson's rebuttal
9 testimony, line 296, he asked himself the question.
10 The Company conducted an extensive plant study, and his
11 statement was, No party in this case has contested the
12 validity of the plant study proposed by Mr. Bateson.

13 However, the part of the Dr. Dismukes'
14 testimony that the Company cites as locking up and
15 precluding anything else was Dr. Dismukes -- and read
16 the question carefully.

17 Do you have any question about the
18 development -- development of the Company's plant
19 study?

20 No, but there are problems about its
21 accuracy, for these reasons. And it's interpretation.
22 How you're applying it to develop those allocation
23 factors.

24 Mr. Bateson, in his rebuttal -- and this is
25 on page three and four. He notes that Mr. Orton had

1 suggested changes to sample sizes in their study.

2 Because their study was based on samples.

3 Dr. Dismukes had questioned the accuracy, in
4 direct, specifically of the accuracy and the sample
5 size.

6 He addresses, in his surrebuttal,
7 Dr. Dismukes, specifically, Bateson's defense, in
8 rebuttal, of the accuracy of that study.

9 In fact, Mr. Bateson even goes further, and
10 he asks himself whether or not others have raised
11 issues about the plant study. And he, Oh, for the most
12 part, no. And then he goes on to his discussion.
13 That's at line 50 of his rebuttal testimony.

14 He ignores the fact that Dr. Dismukes had,
15 at length, described the inaccuracies, how the Company
16 had not included the proper factors, and gave them an
17 exhibit as to, This is what it should be.

18 Mr. Bateson also -- and this is line 80 of
19 his rebuttal testimony. -- says, there is no cost
20 causation theory that can support using commodity
21 throughput to allocate customer-specific lines.

22 Dr. Dismukes' surrebuttal specifically
23 citing that part of the rebuttal testimony says, Here
24 is an example of how you have to use cost causation,
25 using commodity throughput, to properly allocate

1 customer-specific lines.

2 That is the exhibit that this Company wants
3 to exclude.

4 Now, is that a different position? No.
5 It's facts and analysis supporting the position that
6 was taken in direct and supporting the position that is
7 taken again in surrebuttal. It is a direct response to
8 rebuttal testimony. It is precisely what this
9 Commission wants to hear out of that testimony, because
10 it's an ever-increasing depth of analysis. That's what
11 the testimony is there for.

12 In surrebuttal, for example, Dr. Dismukes,
13 at line 107 to 111, which is one of the parts that the
14 Company wishes to strike, talks about using a
15 throughput component in the allocation factor, because
16 the Company's approach involved estimates, which
17 Mr. Orton, of course, had said, you've got to increase
18 your sample size.

19 That it was not -- that the plant study
20 wasn't based on actual data. And there's the
21 possibility of error, directly responding to what
22 Mr. Bateson had addressed in his rebuttal testimony.
23 And they want to strike it.

24 He provides an example in the surrebuttal,
25 Exhibit 5.1.

1 And interestingly, they also want to strike
2 lines 175 to 179, where Dr. Dismukes specifically says,
3 This is what Bateson said in rebuttal testimony.
4 Footnotes it. It's a cost/causation issue, and I'm
5 going to address it in my surrebuttal. Absolutely
6 appropriate.

7 We can go on with examples within that
8 testimony, the Company's and Dr. Dismukes, and see it's
9 response to rebuttal. Exactly what it is that you
10 would want.

11 The purpose of those layers of testimony
12 that you've provided for, are to explain and analyze
13 that case in greater depth, not to make it more and
14 more shallow and more and more meaningless to you.

15 You have a big job here. You have a lot of
16 things to question. A lot of things to wrestle with.
17 Facts, data, information. The more examples you can
18 get, the better off you are. Evidence is not
19 conclusions. Evidence supports conclusions.

20 There's no new conclusion here. There's no
21 new recommendation. It's more and more evidence.
22 Facts, circumstances, conditions that are intended to
23 respond to the Company's case. The Company that has
24 the burden in all respects.

25 They're asking you to apply a

1 hyper-technical rule of evidence. If this were a
2 court, rigorously restricting cross-examination, for
3 example, this would be appropriate cross-examination in
4 all respects. Everything that Dr. Dismukes would --
5 has said in his surrebuttal I would be able to
6 vigorously cross-examine them, because it is within the
7 scope of the direct.

8 I would say that I would be able to
9 redirect, in the event that they cross-examine
10 Dr. Dismukes, because it is absolutely appropriate
11 testimony.

12 But this is an administrative body. You
13 don't apply those hyper-technical rules. You don't
14 apply the technical rules.

15 You're not bound by them, I should say.

16 And traditionally, this Commission has
17 always provided for specific layers of testimony.
18 Enforced them. And if somebody begins with brand new
19 information and brand new issues, just as Questar did
20 and as Rocky Mountain Power did, and hides them until
21 the very last minute, it's appropriate that you would
22 strike them. Or it would be appropriate to manage them
23 in another way, because your interest is also in fair
24 opportunities.

25 This does not call for a response. They,

1 like we, had an opportunity in surrebuttal to fully
2 discuss those issues.

3 That's what happened.

4 This motion should be denied, distinctly
5 denied. And honestly, the message that should be sent
6 is, your rules are -- your orders are meaningful, and
7 there's limits to how far a Company can go, or the
8 Committee can go.

9 But we're interested in full disclosure and
10 fair opportunities, and that's exactly what you have
11 from the Committee's testimony.

12 Thank you.

13 CHAIRMAN BOYER: Thank you, Mr. Proctor.

14 One moment, Ms. Bell.

15 (Whereupon, a discussion was

16 held amongst the Commissioners.)

17 CHAIRMAN BOYER: We'll ask to hear now from
18 Ms. Bell and Mr. Dodge again, but why don't you focus
19 some attention on the distinction Mr. Proctor makes
20 between previous denial in another docket of live
21 sur-surrebuttal, and the filing of written surrebuttal,
22 which was permitted by the scheduling order in this
23 case.

24 And then also, the scope of surrebuttal. Is
25 it limited by the scope of direct, or rebuttal, or

1 both?

2 If you could address those two, three, four
3 issues, that would be helpful to us.

4 MS. LARKIN BELL: Thank you. Yes.

5 With all due respect to the Committee's
6 counsel, I don't agree with their position with regard
7 to those issues at all.

8 So let's talk first about surrebuttal, and
9 the layers of testimony that we are required to file
10 before this Commission pursuant to the scheduling
11 order.

12 We're not disputing that the Committee
13 didn't file in accordance with the scheduling order.
14 What we're disputing is that when a party files
15 surrebuttal testimony, it is inappropriate to place new
16 evidence in that testimony for the first time. It is
17 prejudicial to the other parties who want to respond.

18 There is really no effective way to respond
19 to that.

20 Let's talk for a minute about the historical
21 practice, and enforcing the historical practice before
22 this Commission.

23 Historically it was the Commission's
24 practice to allow live surrebuttal for parties to
25 respond to anything that was put into testimony in

1 surrebuttal. That practice appears to have been
2 changed, which is fine, as long as what is in
3 surrebuttal only responds to what is in rebuttal
4 testimony.

5 This is new evidence. A new theory. A new
6 proposal, that we, or other parties, can't possibly
7 adequately respond to.

8 And while it's true that this is an
9 administrative hearing, and it's very appropriate for
10 you to try to gather all of the information that you
11 can to make these hard and difficult decisions, and
12 that this analysis is very technical, it doesn't seem
13 appropriate that other parties can't respond to what is
14 being put in for the first time.

15 Dr. Dismukes has a proposal. In his direct
16 testimony, he said he didn't dispute anything that the
17 Company had with regard to its proposal.

18 I would like to quote from his testimony, on
19 line 480 of his direct. Do any of the Company's
20 policies recognize this additional -- I'm sorry, I'm
21 quoting from the wrong line. Excuse me.

22 Line 457.

23 Are you disputing the Company's development
24 of its distribution plant factors in the study it
25 conducted?

1 Answer: No. I am not.

2 And he goes on to discuss it, but -- but he
3 doesn't dispute it. He doesn't dispute the plant study
4 until surrebuttal, when he puts on his new example.

5 Now, let me just point to a rule. This
6 exhibit, in my opinion, should be stricken just merely
7 because it doesn't follow the rule, which Mr. Proctor
8 has cited to us several times.

9 The rule, R746-100-10F.2.c states, That
10 exhibits shall be adequately footnoted, and, if
11 appropriate, accompanied by either narrative or
12 testimony with adequat -- which adequately explains the
13 following, and it goes on to explain what's required in
14 a proper exhibit.

15 This exhibit didn't have any of the analysis
16 or backup. We had to ask for that in the data request.
17 Well, you can't understand the derivations of the
18 numbers that Dr. Dismukes puts forward by merely
19 putting this exhibit in the record.

20 So, to answer your specific questions,
21 Chairman Boyer, I think that this surrebuttal testimony
22 was beyond the scope of what the rules would require or
23 what parties have intended, unless we have a different
24 policy in the Commission proceedings with regard to
25 whether or not other parties may respond when a party

1 puts in a new piece of evidence into surrebuttal
2 testimony for the first time.

3 Now, it's true, we can cross Dr. Dismukes on
4 this, or we can -- we can try to show that -- through
5 cross-examination that this is not a supportable piece
6 of evidence. We can do that.

7 But we thought it was more appropriate to
8 file a motion to strike. We didn't have to wait -- or
9 we could have waited, actually, until Mr. Proctor tried
10 to move for admission of that testimony, but we have
11 been admonished before about giving the other party a
12 chance to respond. So we filed a motion to strike as
13 early as we ascertained that that exhibit was something
14 that we really could not respond to.

15 And, again, I would offer that this witness
16 had all of the relevant data and models from which to
17 tell us, in his direct, that he did, in fact, have a
18 dispute, or had a challenge, or had an alternative
19 proposal with which to put forward, that we, in fact,
20 could then have responded to.

21 I think with -- with that, we would just,
22 again, like some clar --

23 In the -- well, in -- I don't know if I've
24 directly responded to your question about the other
25 example where we were not allowed to do live

1 surrebuttal. Perhaps I didn't understand that
2 correctly.

3 CHAIRMAN BOYER: Well, I was interested in
4 the differentiation between in another dockets your
5 disallowance of live sur-surrebuttal, because of my
6 prejudice against litigation by ambush, because of my
7 training, and --

8 MS. LARKIN BELL: Well --

9 CHAIRMAN BOYER: -- this motion, which moves
10 to strike pre-filed written testimony that was timely
11 filed.

12 And then the second question was, is there a
13 limitation on the scope of surrebuttal?

14 Is it limited to the scope of direct?

15 MS. LARKIN BELL: And I tried to answer your
16 second question with regard to the limitation of
17 surrebuttal.

18 With regard to the first question, actually
19 it was in this docket where you ruled, for Questar Gas
20 Company, in it's return on equity hearing, that you did
21 not want live surrebuttal testimony.

22 And, again, we're dealing with what we
23 thought was evidence that we wanted to respond to. And
24 instead, in our summaries, we were cautioned not to
25 respond to anything in live -- or in surrebuttal that

1 had been filed.

2 So that ruling was in this docket in this
3 rate case. And that's the ruling now, that we are
4 struggling with, given what this particular witness has
5 filed.

6 Yes, we agree with the Committee that it's
7 very important that all analyses, all positions are
8 weighted before this Commission. But we need to have
9 an opportunity to understand fully what that position
10 is, so that we can weigh in. Not just us, but other
11 parties that may also be impacted by this new example
12 placed in the surrebuttal testimony.

13 And it wasn't that the surrebuttal testimony
14 was late, it was timely filed. We're not disputing
15 that. What we're disputing is what the contents of
16 that surrebuttal was. It did not go to rebuttal. And
17 that, to me, is a limiting factor.

18 CHAIRMAN BOYER: And that's the gist of your
19 motion, isn't it?

20 MS. BOYER: Yes, it is.

21 CHAIRMAN BOYER: That the surrebuttal goes
22 beyond the scope of surrebuttal.

23 MS. LARKIN BELL: Yes. Especially in light
24 of the fact that there's no other way for us to
25 respond.

1 CHAIRMAN BOYER: Mr. Dodge, anything
2 further?

3 MR. DODGE: Yeah, briefly, Mr. Chairman.

4 I'll admit that I was some -- I'm somewhat
5 conflicted in even participating in this, because, very
6 frankly, the testimony we're arguing about, in my view,
7 is so out in left field it doesn't deserve this level
8 of fight. But it is -- it's the principal of the
9 thing.

10 And Mr. Proctor's indignation not
11 withstanding, it was he who stood before this
12 Commission and explained that last-minute filings
13 deprived the parties of fundamental due process.
14 Fundamental fairness. I didn't hear him address that
15 once in today's discussion.

16 It isn't that it was late filed, it was that
17 it's something new.

18 And be careful. I'd even advise Mr. Proctor
19 to be careful what you ask for. Sometimes you -- you
20 don't want what you get.

21 If this Commission rules that all you have
22 to do is in your direct testimony mention that you
23 disagree with something, and then save, for
24 surrebuttal, surprising everybody with a new study that
25 is just in furtherance of the complaint in your first

1 one that was unsupported, then we will have trial by
2 ambush. That's exactly what happened here.

3 He didn't contest the distribution plant
4 sector study. Said he had some concerns about it.
5 When others come back and say, No one's really
6 contested it, he comes back and surrebuttal says, Yes,
7 I do, and here's all of my evidence. How do we respond
8 to that?

9 So, again, just from a matter of fundamental
10 fairness, it isn't this particular testimony I care
11 about, it's if this Commission is moving towards
12 avoiding trial by ambush, and towards a process of
13 saying, You get your evidence out in the -- in the
14 proper rounds and respond, to limit your response to
15 what was addressed in the last one, and if you have a
16 fundamental disagreement with something stated in
17 direct, state it in your rebuttal, and respond to how
18 people react to that in your surrebuttal, then you've
19 got to not allow this kind of last-minute surprise.

20 Thank you.

21 CHAIRMAN BOYER: Okay. Thank you.

22 We'll take about a five- or a ten-minute
23 recess, and then cogitate over this.

24 (Whereupon, a break was taken.)

25 CHAIRMAN BOYER: Okay. We're missing one

1 person. And we have a new person.

2 MR. COOK: Commissioners, I was hoping to
3 make an appearance on the record. If that's all right.

4 CHAIRMAN BOYER: Please. Introduce
5 yourself.

6 MR. COOK: Jeremy Cook, on behalf of Nucor
7 Corporation.

8 At this point Nucor doesn't anticipate
9 introducing any testimony in this matter, and I'd just
10 wish to be excused from counsel table.

11 CHAIRMAN BOYER: You may. Thanks for the
12 introduction. Welcome.

13 MR. COOK: Thank you.

14 CHAIRMAN BOYER: Okay. Are we back on the
15 record? Did I say that already?

16 We're going to reserve the ruling on this
17 motion for a short time, just so we have time during
18 the lunch break to look at the testimony; the direct,
19 the rebuttal, and the surrebuttal, to see if -- to see
20 whose argument carries sway here.

21 But in fairness to the parties, and
22 particularly the Company, who has to go first with
23 their witnesses, we're not anticipating that you would
24 rebut Dr. Dismukes -- the offending sentences through
25 live surrebuttal testimony, but rather through

1 cross-examination at this point in time.

2 And we'll try to get that ruling after
3 lunch. We'll break for an hour and a half or two hours
4 for lunch. So we'll get it to you relatively soon.

5 And I don't know which witness you're going
6 to proceed with. And at that time, at the time we rule
7 on, we'll give you a little bit more direction what
8 we're doing. But we have sort of changed practice in
9 terms of --

10 At some point one has to cut off evidence.
11 I mean, is it sur-surrebuttal? Or is it
12 sur-sur-sur-sur-surrebuttal? Or is it something you
13 think of a week later or a month later? At some point
14 you have to put your arms around it.

15 On the other hand, we want as much
16 information as we possibly can.

17 And time constraints are a little tight when
18 one has -- or when three of us have three rate cases
19 pancaked on top of one another. So time constraints
20 that seem ordinarily fairly reasonable and generous,
21 can kind of crunch you up a little.

22 So we're -- we're trying to balance that.

23 Anyway, we'll rule on that after the lunch
24 break.

25 But that's how we'd like to proceed this

1 morning, Ms. Bell.

2 Is there anything further before we go begin
3 the case in chief?

4 We'll start with the Company's first
5 witness.

6 Okay. Let's do that.

7 Ms. Bell?

8 MS. LARKIN BELL: I would like to call our
9 first witness, Gary Robinson.

10 CHAIRMAN BOYER: Is Mr. Robinson -- he's
11 already sworn. If you have not --

12 MS. LARKIN BELL: No, he is not.

13 CHAIRMAN BOYER: We understand this might be
14 your last rate case.

15 Raise your right hand.

16 GARY L. ROBINSON,
17 having first been duly sworn, was examined and testified
18 as follows:

19 CHAIRMAN BOYER: Thank you. Please be
20 seated.

21 I guess, before you begin, Ms. Bell, we'd
22 still like to have relatively brief summaries, inasmuch
23 as we have the testimony.

24 DIRECT EXAMINATION

25 BY MS. LARKIN BELL:

1 Q. Good morning.

2 Mr. Robinson would you please state your
3 full name for the record?

4 A. Gary Lowe Robinson.

5 Q. And by whom are you employed?

6 A. Questar Gas Company.

7 Q. And what is your title at Questar Gas
8 Company?

9 A. Director of Regulatory Affairs.

10 Q. And did you file direct testimony in this
11 docket premarked as Updated Direct Testimony of Gary
12 Robinson, QGC Exhibit 7.0U, with eight exhibits
13 attached; Rebuttal Testimony, premarked as Rebuttal
14 Testimony of Gary Robinson QGC 7.0R, with nine
15 exhibits; and surrebuttal testimony, premarked as
16 Surrebuttal Testimony of Gary L. Robinson, QGC
17 Exhibit 7.SR, with nine exhibits attached?

18 A. Yes, I did.

19 Q. And were these prepared by you, or under
20 your direction?

21 A. Yes.

22 Q. And would your responses be the same today
23 if you were asked these questions?

24 A. Yes, they would.

25 MS. LARKIN BELL: I would like to move to

1 admit Mr. Robinson's pre-filed direct testimony and
2 attached exhibits, rebuttal, and surrebuttal.

3 CHAIRMAN BOYER: Are there objections to the
4 admission of Mr. Robinson's testimony?

5 MS. SCHMID: None.

6 CHAIRMAN BOYER: Seeing none, then
7 Mr. Robinson's updated direct testimony, his rebuttal
8 testimony and surrebuttal testimony, together with
9 exhibits, are admitted into evidence.

10 (Whereupon, Direct, Rebuttal and
11 Surrebuttal testimony and
12 exhibits were received.)

13 CHAIRMAN BOYER: Thank you, Ms. Bell.

14 Q. (BY MS. LARKIN BELL) Mr. Robinson, have you
15 prepared a brief, concise summary of your testimony and
16 position in this docket?

17 A. Yes, I have.

18 Q. Would you please proceed with that?

19 A. Okay.

20 In my direct testimony, I filed a cost of
21 service study and rate design based on the updated
22 Company position following the test year order in this
23 case.

24 The cost of service study that I filed
25 included the implementation of ideas and

1 recommendations of the allocation and rate design task
2 force that the Commission created in the final order
3 for Docket 02-057-02.

4 Just briefly, in the last case, 02-057-02,
5 the Company prepared a cost of service in that case.
6 The cost of service was stipulated to in that case, and
7 in the stipulation and order in that case, the
8 Commission created this task force. But this is really
9 the first time, in probably 20 years, that the
10 Commission has a contested cost of service and rate
11 design before it.

12 In -- in those intervening 20 years, this
13 portion of the case has generally been -- been
14 stipulated to, and percentage -- and the rates have
15 generally been percentage increases.

16 So this is kind of the first time, in a long
17 time, that we've -- we've gone to this level of detail
18 in the cost of service.

19 In -- in that order, that last case, the
20 Commission stated that the goal of the task force was
21 to analyze a variety of rate design and cost allocation
22 issues that arose in that case, and attempt to agree on
23 how to resolve those issues for possible application in
24 future proceedings.

25 Some of the specific issues that the task

1 force was asked to study were addressed by the Company
2 in this case.

3 For example, a class cost of service,
4 including allocation factors, was revised since last
5 case, to be consistent with the task force discussions.

6 And this is the first time we've -- we've
7 taken the cost of service down to the FERC account
8 level. This was -- that's a fundamental change in this
9 cost of service from all of the cost of services that
10 the Company has previously filed.

11 The value of peaking gas available for an
12 interruptible customer is during periods of
13 interruptions was proposed in the cost of service.

14 A separation of the residential and
15 commercial customers in the GS-1 class into separate
16 classes was proposed.

17 A transportation rate design was proposed,
18 which removed or leased the barriers for small
19 customers to take advantage of transportation service.

20 Although the task force did not come to
21 complete agreement on all of these issues, it did spend
22 a significant amount of time discussing them, and, in
23 many cases, there was general agreement among all or
24 most of the parties of the task force.

25 The cost of service study that I filed in

1 this case used the methodology allocation factors and
2 computer model that are consistent with those reviewed
3 by the task force. As I mentioned, these were all
4 generally agreed to by most, if not all of the
5 participants.

6 I prepared exhibits that summarized the
7 allocation factors used in the summary of the rates of
8 the cost of service study used, using the original
9 filing in this case. This cost of service study has
10 subsequently been updated as the case proceeded.

11 QGC Exhibit 7.2R is the most recent summary
12 and prevent -- presents the Company's final position on
13 cost of service in this case.

14 This exhibit supersedes the original summary
15 that was filed as QGC Exhibit 7.4.

16 Certain rate schedules were not included in
17 the cost of services study, including the NGV, FT-1,
18 MT, and FT-2C customers.

19 Although this is consistent with the
20 methodology presented in the task force, several
21 parties in this case have criticized the cost of
22 service for not including these classes.

23 The Company has agreed to include the NGV,
24 FT-1, and MT customers in the next cost of service
25 study.

1 The FT-2C is a contract rate between the
2 Company and a customer that was obtained in the
3 purchase of the Utah gas system, and the rate cannot be
4 changed until the contract expires. There's still
5 several years on that contract.

6 The costs associated with these excluded
7 classes have been included with the total system costs
8 that have then been allocated to the classes that are
9 included in the cost of service.

10 To balance these costs that are spread to
11 all other classes, the revenues from these classes are
12 also spread.

13 There has been some disagreement on the
14 allocation factor to be used to spread these revenues,
15 but the overall methodology has not been contested.
16 The Company spread the revenues based on D&G revenues,
17 and believes that this is the correct method.

18 My direct testimony also outlined an
19 organization and renaming of the CGC rate schedules.
20 First of all, in response to the discussions of the
21 task force, the Company has proposed to split the GS-1
22 rate schedule into a residential class and a commercial
23 class. These new classes are referred to as the GSR
24 and GSC classes.

25 During the task force meetings, there were

1 several recommendations that the GS-1 class should be
2 split, but not an agreement as to how it should be
3 done.

4 The Company proposed to make this split
5 based on the sales tax code, which is in the billing
6 system for every customer.

7 This code is important because residential
8 customers are charged a lower sales tax rate than
9 commercial customers.

10 The customers are identified in the system
11 as residential or commercial at the time they sign up
12 for service, and the commercial customers are further
13 identified by SIC code.

14 This information allows the Company to
15 identify the residential and commercial customers, and
16 bill their sales tax appropriately.

17 The DPU is supporting the Company in this
18 methodology of splitting the GS-1 class. Mr. Orton and
19 Mr. Johnson have suggested that the class not be split
20 at this time, but the issue be studied further after
21 this case.

22 This issue was discussed extensively in the
23 previous task force, and, to be honest, I'm not sure if
24 further discussions will result in an agreement among
25 the parties on how to accomplish the split.

1 For these reasons, I recommend that the
2 Company's proposal be adopted at this time.

3 The Company also proposed to restructure the
4 transportation service by eliminating a few rate
5 schedules. We proposed to eliminate the F-3, the F-4,
6 and the FT-2 schedules that have been used by
7 transportation customers to purchase firm service or
8 firm backup in addition to their interruptible
9 transportation service.

10 The proposal is that interruptible
11 transportation customers purchase the level of firm
12 service they require through a demand charge rather
13 than by splitting their usage among various rate
14 schedules.

15 The combination of interruptible and firm
16 transportation into a single rate schedule that
17 includes a demand charge for firm service has gone
18 uncontested in this case.

19 Although the Company did not propose a
20 specific small transportation rate schedule, we did
21 propose to significantly reduce the transportation
22 administrative fees that have served as a barrier to
23 small industrial customers in obtaining transportation
24 service in the past.

25 Finally, the Company has proposed to rename

1 the various rate schedules. During the course of this
2 case, there has been a significant amount of testimony
3 offered in response to the split of the GS-1 rate
4 schedule, and some discussion about the elimination of
5 the F-4 rate schedule, but otherwise, there has not
6 been much disagreement with the overall proposal.

7 In the rate design phase of the case, the
8 Company designed rates and charges that collect the
9 Commission-approved costs of service. As part of that
10 process, the block breaks used by the -- in the various
11 rate schedules were standardized, and in some cases,
12 such as the GSC rate schedule, additional blocks were
13 proposed.

14 In my rebuttal testimony, I calculated new
15 monthly CET-allowed revenue amounts for the GSR and GSC
16 classes, given the Commission's order in the revenue
17 requirement phase of the case, and the Company's
18 proposed cost of services.

19 I also provided a comparison of the proposed
20 cost of service results and a cost of service without
21 the split of the GS-1 rate schedule, or the combination
22 of the firm interruptible transportation rate
23 schedules, since there was some request by other
24 parties that we look at what the cost of services would
25 have been prior to our proposals to combine some rate

1 schedules and split other schedules out.

2 I also reviewed the positions of the Company
3 regarding the proposed changes to allocation factors by
4 other parties. In some cases, the Company has agreed
5 with the other parties' recommendations. In other
6 cases, the Company stands by the original positions.

7 For example, the Company agrees with the
8 Committee proposal to change the allocation factor used
9 to allocate the contributions in aid of construction;
10 however, the Company does not agree with the
11 Committee's proposal to allocate A&G expenses based on
12 75 percent O&M expenses and 25 percent distribution
13 throughput rather than gross plant.

14 Gross plant has been the traditional
15 allocation factors used by this Commission to allocate
16 general plant and A&G expenses for both the gas and the
17 electric utilities.

18 The underlying philosophy that supports this
19 allocation is that these industries are very
20 client-intensive operations, and the common cost to
21 serve customers should follow the plant needed to serve
22 each customer class.

23 The Committee agreed with the use of the
24 gross plant allocation factor in Rocky Mountain Power's
25 recent rate case, and we don't believe they have met

1 the burden in this case to justify the change.

2 Later, in my rebuttal testimony, I comment
3 on the gradualism adjusted -- adjustments proposed by
4 the UAE and DPU. I disagree with the UAE's proposal to
5 cap the percentage increase for the FS, IS, and TS
6 classes to 200 percent of the system-wide percentage
7 increase.

8 I point out that given the results of the
9 Company's cost of services, this capping would be the
10 equivalent of moving about 1/5 of the way to cost of
11 service for the IS and TS classes.

12 I think this is an inadequate move towards
13 cost of service.

14 Although the Company agrees with the concept
15 of gradualism for these customers, a move of 50 percent
16 towards cost of services is more appropriate. For this
17 reason, the Company supports the DPU's proposal to
18 increase the FT-1 class by 12 and a half percent, the
19 FS class by ten percent, and the TS class by
20 25 percent.

21 The Company also proposes to increase the MT
22 class, which is also transportation, and the
23 interruptible sales class, by the same 25 percent.

24 Finally, the Company continues to support a
25 gradualism adjustment for the GSC class, that causes

1 their rates to increase, but at a lower rate than the
2 system-wide average. This is a movement towards cost
3 of services that will eliminate an intraclass subsidy
4 between the commercial and residential customers within
5 the GS-1 rate schedule.

6 In response to a data request in this case,
7 the Company conducted a separate cost of service on the
8 NGV rate schedule. The Company supports the DPU's
9 proposal to move 50 percent of the way to cost of
10 services for this class, which results in a 94 percent
11 increase to this group of customers.

12 With regard to some miscellaneous issues,
13 the Company opposes the Committee's proposal to reduce
14 the main extension allowance in this case. This issue
15 was thoroughly analyzed in the Company's last general
16 rate case.

17 The allowances were lowered and changed to a
18 dollar allowance rather than a footage allowance. As
19 the costs of installation increase and the allowances
20 remain the same, the Committee's proposal that new
21 customers pay a higher percentage of the installation
22 costs is occurring naturally.

23 The Company proposes that the policy remain
24 the same in this case, and that it be analyzed in more
25 detail in the next case, when all parties have a chance

1 to look at it.

2 The Company also does not object to the AARP
3 and Salt Lake caps proposal to establish a task force
4 that will study rate design issues with respect to
5 low-income customers.

6 Lastly, the Company agrees with the
7 Division's proposal to reduce the interest rate used in
8 the analysis of the GSS and the AC areas from six
9 percent -- down to six percent from the 9.64 percent
10 being used for the EAC areas, and the 11 percent that
11 was used in the analysis of the GSS areas.

12 I point out in my rebuttal and surrebuttal
13 testimony that the Commission ordered just such a
14 change in Docket No. 05-057-13 for the EAC areas, from
15 13.86 percent to 9.64 percent, and that they have the
16 authority to do the same thing for the GSS areas.

17 The proposed six percent rate is currently
18 used by the Company for charging or paying interest on
19 deposits received by customers, on past due bills and
20 for over and under-collected balances in the 191
21 account.

22 The six percent rate is well within the
23 range of reasonableness from which the Commission can
24 select an interest rate to apply to these expansion
25 area analyses.

1 I present exhibits which will show what the
2 rates would be if the GSS rates were rolled in.

3 I compared the typical customer's
4 residential bill before and after this roll-in and
5 found the impact to be only 5.6 cents per customer per
6 month.

7 I'd also like to -- to give the Commission
8 maybe a brief overview of this case, and put some of
9 the issues that -- that are being discussed in -- in
10 some context.

11 Thirty years ago, when I joined this
12 Company, the -- the rate design being used by the
13 Company consisted of the GS-1 class, four separate firm
14 sales rates, and six separate interruptible sales
15 rates.

16 What -- what happened, over the course of
17 time, is that there was a fundamental change in how we
18 did business. That happened when we introduced
19 transportation service.

20 And when we introduced it first,
21 interruptible transportation service, the customers
22 naturally started to migrate from interruptible sales
23 to the trans -- interruptible transportation. And then
24 we -- when we introduced a firm transportation service,
25 because these interruptible customers, that were doing

1 transportation, requested that they have some -- some
2 form of firm service. So we introduced firm
3 transportation service. And then, the -- we saw a
4 further migration of firm sales customers to
5 transportation.

6 And so over the course of years, what has
7 happened is the -- the number of rate classes has
8 dwindled from the 10 or 11 classes we had 30 years ago.
9 We now essentially have a GS-1 class, we have one firm
10 sales rate -- well, we have two, but one of them only
11 has one customer. And we have firm and interruptible
12 transportation service.

13 Now, you might ask, how is that possible
14 that we went from so many rate schedules to this few,
15 and how can you serve all of the customers with this
16 few of rate schedules, and not have any serious
17 complaints? Because, by in large, the customers that
18 we have today are -- are -- are happy with the -- with
19 the services that they are getting.

20 And I can go back and point to two very
21 critical aspects of the rate design that are important
22 in this -- in making the customers happy.

23 One was the introduction of what we called
24 back then the meter-based customer charge. Today we
25 call it the basic service fee.

1 And the second thing is the use of declining
2 block rates in these various rate schedules.

3 First of all, let's talk briefly about the
4 basic service fees, or the meter-based customer
5 charges.

6 What these are graduated fees that are based
7 on the size of the meter that each customer has.

8 So as -- as a customer has a larger and
9 larger meter --

10 And over a period of time, we've refined the
11 definition so that it's not just the size of the meter,
12 but it's the meter plus the input pressure to the
13 meter, so what we're measuring is essentially the
14 capacity of -- of delivery to each individual customer.

15 And what we've found is that, as the
16 capacity for that customer increases, the amount of
17 plant not -- not just on that customer's premises, but
18 all the way back from feeder lines, all the way back to
19 the city gates, the amount of plant that is required to
20 serve that customer increases.

21 And let me just -- let me just point out
22 what the basic service fee does not do.

23 The basic service fee is not designed to;
24 one, ensure revenue recovery by the Company. We have
25 the -- the CET that does that.

1 The -- the use of the -- of the basic
2 service fee is to ensure that we are billing our
3 customers correctly and fairly, not to -- to ensure
4 revenue collection.

5 The other thing that -- the basic service
6 fee is not designed to do is recover the costs of the
7 meter.

8 Sometimes there's a misconception that,
9 because the meter is bigger, that's -- and the costs of
10 the meter is bigger, that's why the basic service fee
11 is bigger. And that's not the point at all. The point
12 is that the size of the meter is an indication of the
13 amount of plant that is -- is needed to serve that
14 customer.

15 And Mr. Bateson's plant study is -- is
16 centered around these meters. Each meter size.

17 So the first thing he does is he identifies
18 all of the different sizes of meters that are used in
19 the Company, and the different pressures that are going
20 into those -- into those meters. And then, without
21 respect to rate class at all, he analyzes the plant
22 necessary to serve each individual meter.

23 And that's -- that's the whole basis of
24 Mr. Bateson's plant study, that he's presented in this
25 case.

1 After he's done that, then we have
2 categorized the meters into -- into five categories.

3 And we've introduced a new category in this
4 case, and that was for the apartment dwellers, because
5 we found that -- that apartments, which are high
6 density, have a less -- a lower amount of plant
7 associated with them than other single-family
8 dwellings. And so it justified the -- the introduction
9 of an apartment basic service fee.

10 And then we have the single family, or small
11 meter basic service fees. And they graduate up to the
12 large industrials.

13 The second thing that -- that is important
14 in these -- in the rate design is the declining block
15 rates.

16 And there is -- there's no way that we could
17 have a single transportation schedule that would serve
18 everybody from --

19 We have -- we have transportation customers
20 that use about 300 decatherms a day, all the way up to
21 customers that use 10,000 or more decatherms a day. So
22 we have customers using, in a few days, what the small
23 customers use in an entire year.

24 The only way that we could serve all of
25 those customers on a single rate schedule, and not have

1 any of them complaining, is by having the declining
2 block structure.

3 And what we've found, by doing the plant
4 study and other analysis, is that as customers get
5 larger and larger, the amount of plant necessary to
6 serve those customers increases, but it increases
7 slower than the decatherms that are -- that are being
8 delivered.

9 And so the costs, per unit, that are being
10 delivered, goes down.

11 And that what -- that's what justifies the
12 use of the declining block rates.

13 So with that brief overview and summary of
14 my testimony, I'm done.

15 MS. LARKIN BELL: Mr. Robinson is now
16 available for cross.

17 CHAIRMAN BOYER: Thank you, Mr. Robinson.
18 Let's begin with Ms. Schmid.

19 CROSS EXAMINATION

20 BY MS. SCHMID:

21 Q. Good morning, Mr. Robinson. How are you?

22 A. I'm fine. How are you?

23 Q. Just fine as well.

24 I have a few questions.

25 A. Okay.

1 Q. Can you refresh our memory as to which rate
2 classes aren't in the current cost of service study?

3 A. The FT-1, the NGV, the MT, and the FT2C.

4 Q. Okay.

5 Is the GS -- the GSS --

6 A. The GSS is included in the -- in the total
7 GS cost of service.

8 Q. In your testimony you said that you had
9 included all relevant rate classes in this cost of
10 service. Why were these particular classes not
11 included?

12 A. Generally because -- well, the MT class was
13 not included because it is -- it is a single customer.
14 A single municipal customer. And it's -- it's
15 difficult to -- to do a full cost of service on just
16 one customer.

17 And so, in the future, I would -- I would
18 probably recommend that this be rolled in with the
19 other transportation customers like we have done with
20 the GSS.

21 The reason that we didn't include the FT2C
22 is that it is a contract rate.

23 And the reason we didn't include the FT-1,
24 or the NGV, is that these were not cost-based rates
25 when they were established, and so the -- the -- in the

1 past, the revenues from these classes have been revenue
2 credits to the other classes.

3 Q. But you're going to include at least some of
4 these other classes in recommending including some of
5 these other classes in studies in the future?

6 A. We have agreed that we will include these
7 other classes in future studies of cost of services.

8 Q. Let's talk about the class cost of service
9 and rate design task force for just a moment.

10 In general, was there more discussion or
11 more agreement that resulted from this task force?

12 A. In general, there was more discussion than
13 there was agreement.

14 Q. So even though things were discussed, you
15 didn't come to agreement on like allocation of feeders
16 or allocation of large diameter pipes or things.
17 Right?

18 A. No.

19 Q. The Committee is requesting revenue
20 increases. What do you think those revenue increases
21 would do to Questar Gas's transportation load, if you
22 have an opinion?

23 A. I -- I don't think that it would
24 significantly affect the transportation load.

25 This -- the -- the -- the amount -- the

1 transportation service is a relatively small amount of
2 the transportation customer's total natural gas bill.

3 When -- when you look at the transportation
4 costs in relation to the -- to the gas costs that they
5 have to go out and buy, it's relatively small.

6 Q. Even for the industrials and the larger
7 users like that?

8 A. Yes.

9 MS. SCHMID: Those are all my questions.

10 Oh, pardon me. I have one more.

11 Q. (BY MS. SCHMID) At the -- Questar is
12 proposing how increments that go into the CET would be
13 calculated.

14 Wouldn't you agree that since the CET is, at
15 this stage, a pilot program, that it would be better --
16 that you could get better data if you kept the
17 comparison with apples to apples instead of apples to
18 oranges?

19 A. Well, I'm not sure what you're meaning by
20 the oranges, but I don't think that the Commission's
21 order establishing the CET pilot program restricted
22 changes to the -- to the rates and charges applicable
23 to the -- to the classes that are under the CET.

24 I don't think that it anticipated, or would
25 restrict the Company, for example, in increasing the

1 basic service fees, or the rates themselves.

2 In addition, we -- in splitting the GS-1
3 class into the residential and commercial classes, it
4 seemed appropriate, to us, to calculate separate CETs
5 for each of those classes; a CET for the residential
6 and a CET for the commercial. And that's what we have
7 done in our -- in my exhibits.

8 MS. SCHMID: That's all I have.

9 CHAIRMAN BOYER: Thank you, Ms. Schmid.

10 Mr. Proctor?

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

12 CROSS EXAMINATION

13 BY MR. PROCTOR:

14 Q. Mr. Robinson, you testified that -- that the
15 Company can, in fact, trace the cost to serve a
16 customer, or a class of customers, all the way back to
17 the city gates. Correct?

18 A. We allocate the costs all the way from the
19 city gates among the classes.

20 Q. And the Company's distribution plant factor
21 study was intended to identify those costs by meter
22 rating, was it not?

23 A. Yes.

24 Q. Could you step us back from the customer
25 meter all the way to a city gate as to the components

1 that you're looking at in your distribution plant
2 factor study?

3 A. Well, what -- what the plant study -- and
4 Mr. Bateson is the witness on the plant study.

5 But what the plant study is intended to do
6 is look at, first of all, the meter. The regulator
7 that are served -- that are used to serve that
8 customer.

9 Q. And what's the next equipment?

10 A. The service line is the next equipment going
11 back. And the service line is generally connected to a
12 main. And then the plant study measures the amount of
13 main that is used to serve the various sizes of meters.

14 Q. Well, let me --

15 A. And once you go beyond the main, and then
16 it's -- its feeder lines that go back to the city gate.
17 And the plant study does not address the feeder lines.

18 Q. You stated that a customer is generally
19 connected to a main.

20 Are there instances where the customer is
21 not?

22 A. Yes.

23 Q. And what instances would those be?

24 A. Generally the customers that are not
25 connected to a main are the larger industrial

1 customers, and they connect right to feeder lines.

2 And they're also -- there are also customers
3 along -- along the way of a feeder line, that -- that
4 may get service directly off the -- off the feeder
5 lines. Smaller residential or small commercial
6 customers, it just depends. There are a few of those
7 also.

8 Q. If that was the case, then, that a customer
9 is connected directly to a feeder line, and not a main,
10 would there be any cost associated with mains
11 identified for that customer in the distribution plant
12 study?

13 A. No.

14 Q. So, as far as the mains would be concerned,
15 then, it's -- can I say it's free for that customer?

16 A. Well, for that particular customer, they
17 would have no mains. You're right. That's -- so there
18 would be no main -- main costs allocated to that
19 customer.

20 Q. Thank you, Mr. Robinson.

21 MR. PROCTOR: Thank you very much.

22 CHAIRMAN BOYER: Thank you, Mr. Proctor.

23 Mr. Dodge?

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

25

* * *

1 CROSS EXAMINATION

2 BY MR. DODGE:

3 Q. Thank you, Mr. Chairman. Mr. Robinson, I
4 want to -- Robby son, I want to talk with you just a
5 minute about the gradualism issue.

6 You testified that, with Mr. Higgins'
7 proposed 200 percent cap, it would move interruptible
8 service customers only 20 percent towards the cost of
9 service. You understand that Mr. Higgins has proposed
10 only two changes to that cost of service study.

11 Correct? Or do you understand that?

12 A. I'm not -- I'm not aware of exactly how many
13 adjustments he made to the cost of service.

14 Q. Are you aware that if his two adjustments,
15 or if his adjustments are accepted, then the
16 200 percent cap would move that class to about
17 50 percent of cost of service?

18 A. No, I agree, that -- that if -- if
19 Mr. Higgins' cost of service is accepted by the
20 Commission rather than the Company's version of the
21 cost of services, then his 200 percent cap does move
22 those customers about 50 percent of the way. And I --
23 I would be fine with that.

24 If the Company were to adopt either the
25 Company's proposed cost of service, or the Committee's

1 proposed cost of service, or some sort of hybrid, I
2 would still propose that -- that the 50 percent
3 threshold be met rather than the 200 percent cap.

4 Q. In your original direct testimony, prior to
5 the update -- and I can go to the pages if you need,
6 but do you remember the discussion where you concluded
7 that moving the general service residential class fully
8 to cost of service would require a
9 200-percent-of-the-average system increase? Roughly?

10 A. When was that? Repeat that again?

11 Q. In your original pre-filed direct testimony,
12 do you recall a discussion where you said that the cost
13 of service analysis showed that it would require a
14 200-percent-of-average system in place for the general
15 service residential class, and you concluded that a
16 200 percent of average was too high, and proposed a
17 mitigation adjustment to keep them at 25 percent move
18 towards cost of service?

19 A. That was a long time ago.

20 Q. It's on pages five and six if you want to
21 look at it.

22 A. I -- that's -- I can agree with that.

23 Q. And I -- you also reference, in both your
24 direct -- your original and your updated, that in the
25 last rate case, the 200 percent cap was agreed to by

1 the parties and accepted by the Commission. Correct?

2 A. It was, in the last case, yes.

3 Q. I'd like to turn briefly to the question of
4 ribbons.

5 You indicated that you've got only one
6 customer who today ribbons an F-4 firm sales with the
7 transportation service.

8 And as I understand it, your rationale for
9 eliminating that option for that customer is to reserve
10 the value of cost-of-service gas for sales customers?

11 A. Well, that's certainly one -- one reason.

12 But the -- the underlying reason is, it's
13 not just for the Company-owned gas, but the fact
14 that -- the fact that these large transportation
15 customers have -- have options that the other firm
16 sales customers don't have.

17 And generally the only time that these
18 transportation customers seek firm sales service is
19 when they can achieve lower gas costs under the firm
20 sales rate than they can in the open market.

21 And when that is -- when that is the
22 scenario, then the impact on all other customers are
23 these transportation customers being on firm service,
24 that the gas costs go up for all other customers.

25 Q. That's true whenever you add in new

1 customers, right?

2 A. Well, it's also true when you add
3 residential customers to a smaller degree.

4 The difference is that these -- that the new
5 customers coming on-line don't have the same options
6 that these transportation customers have.

7 Q. And help me understand what's -- what's the
8 problem with options? Are you opposed to giving
9 options to Utah's industrial base?

10 A. Well, I'm not opposed to giving options, but
11 I -- I think that the proposal that the Company is --
12 has set forth, allowing customers to purchase firm
13 service under the transportation rate schedules
14 directly, rather than -- than separating their usage
15 among various rate classes, is -- is inappropriate.

16 Q. And the reason it's inappropriate?

17 A. The reason it's inappropriate is that these
18 customers have chosen to be transportation customers.
19 They -- they have the ability to go out and buy their
20 own gas. And the impact of their decisions to ribbon
21 to firm sales is -- is harmful to the other firm sales
22 customers.

23 Q. Harmful, you assume, again, the same way
24 that a new customer is harmful to other customers.

25 A. Yes.

1 Q. Okay.

2 And with the existing F-4 customer, you --
3 you surmise that it must be the commodity costs that
4 are driving that customer to ask for that ribbon,
5 because it costs a lot more on the DNG side to be an
6 F-4 customer than interruptible transportation
7 customer?

8 A. That was my assumption.

9 Q. If so, then, by making them choose, won't
10 they choose -- if your assumption is correct, won't
11 they choose 100 percent sales service? If the
12 commodity is that much better?

13 Wouldn't that be the economically prudent
14 choice, if your assumption is correct?

15 A. Well, I -- I can't get inside the head of
16 these customers and decide -- and know exactly what
17 their -- what their rationale is for -- for choosing
18 firm uninterruptible service, but I suppose that
19 they -- they have purchase options. That they have --
20 they have the ability to purchase gas for their
21 transportation service that -- that they want to
22 continue that service as well.

23 Q. Well, my point is simply, if your hypothesis
24 as to why they would pay more for DNG service to be on
25 the sales side, for a ribbon of their supply, is

1 because of the commodity differential, then that
2 would -- the economically prudent thing to do would be
3 to move to full sales service?

4 A. Well, if that were available to them.
5 There's also limitations on the system that -- where
6 firm service, to some of these customers, for all of
7 their service, is just not available. We just don't
8 have the capacity to serve 100 percent of these
9 customers' needs on a firm basis. And so they have
10 chosen a portion of it on a firm basis, and the rest
11 they continue on an interruptible basis.

12 Q. And so the way you deal with the problem, as
13 you perceive it, of interruptible customers switching
14 back and forth, is to require a longer term commitment.
15 Is that correct? To the extent you have capacity
16 available?

17 A. That's one -- that's one strategy that we
18 have pursued in the past.

19 Q. And that could be done, if necessary, if you
20 felt that that was necessary for a customer asking to
21 ribbon a sales service on top of an interruptible -- or
22 transportation services.

23 A. Well, that's what we've done in the past.

24 MR. DODGE: No further questions. Thank
25 you.

1 CHAIRMAN BOYER: Thank you, Mr. Dodge.

2 Mr. Ball? Have you questions for

3 Mr. Robinson?

4 MR. BALL: Thank you, chairman. Yes,

5 please.

6 CROSS EXAMINATION

7 BY MR. BALL:

8 Q. Hello, Mr. Robinson.

9 A. Hello.

10 Q. What -- what benefit, in your opinion, does

11 Questar Gas Company stand to receive by moving

12 customers from the GSS and the AC rates onto the GS-1,

13 or whatever it becomes, rate, sooner rather than later?

14 A. There's no revenue impact to the cus -- to

15 the Company at all. There may be some administrative

16 efficiencies in having the classes combined.

17 Q. And why is there no revenue impact to the

18 Company if making that shift?

19 A. Because the rates that the Company has

20 designed are designed to collect the -- the approved

21 revenue requirement in this case, regardless of whether

22 the two classes are combined or not.

23 Q. So, to put it in more of a laymen's terms, I

24 hope, would it be fair and accurate to say that at the

25 moment, the approximately 8,000 customers that are

1 paying GSS and EAC rates are paying more for the gas
2 that they are -- that they are using than the GS-1
3 customers? And if they stopped paying that more, the
4 approximately 850,000 customers are all going to pay a
5 little bit more to make up for it?

6 A. Well, that's entirely true.

7 I find it interesting that, in -- in this
8 phase of the case, in the rate design phase of the
9 case, there are many adjustments that are being
10 proposed, particularly there are gradualism adjustments
11 being proposed by -- by the Company, by the UAE, by the
12 Division, and the -- the gradualism adjustments that
13 are being proposed far exceed the impact to other
14 classes than -- than the combining of the GSS and the
15 EAC customers, into rolling them back into the regular
16 rates, And yet there's fairly little contention by the
17 parties in this case that the gradualism adjustments
18 are appropriate.

19 If you -- if you -- if you just think about
20 what gradualism adjustments do, essentially what you're
21 saying is that the parties have agreed on a cost of
22 service that -- for each of the classes. And yet, for
23 one reason or another, and -- and I agree that the
24 Commission's propensity for gradualism is
25 long-standing. That when you make a gradualism

1 adjustment, what you are essentially saying is that
2 those class -- some classes do not have to pay their
3 cost of services, and other classes are going to pick
4 up the difference. And that is the same scenario that
5 we are faced with on the GSS issue.

6 That is, if we -- if -- if you -- if the
7 Commission can go back and re-review the analysis that
8 was used in establishing the GSS and the EAC rates,
9 which I think is totally appropriate for the Commission
10 to do, what they are -- what they would say is that it
11 is no longer appropriate for these customers to pay a
12 premium on -- for their service, and their remaining
13 customers would pick up the difference, just as -- as
14 with the gradualism adjustment.

15 MR. BALL: Chairman, I'm going to object to
16 Mr. Robinson's latest remarks and ask that they be
17 stricken on the grounds that this was not an argument
18 that he put in his pre-filed surrebuttal testimony. It
19 therefore amounts to sur-surrebuttal testimony offered
20 live.

21 CHAIRMAN BOYER: Ms. Bell?

22 MS. LARKIN BELL: Yes. I think Mr. Robinson
23 was responding to Mr. Ball's cross-examination
24 question, which is very fair, and his response was well
25 within the confines of that examination.

1 CHAIRMAN BOYER: I think he was just giving
2 me an example to demonstrate the cross-examination, so.

3 MR. BALL: Chairman, if I may, when he
4 started to get into the argument about gradualism,
5 which was the substance of his remarks, that was not in
6 answer to any question that I asked, and it was not
7 reflective of his written testimony.

8 MS. LARKIN BELL: If I may respond. I think
9 it was just another -- an example to show you how
10 gradualism is used and works in our rate design, and I
11 think he was trying to respond to Mr. Ball's questions
12 specifically with regard to the GSS EAC position -- or
13 proposal that's on the table in this case.

14 CHAIRMAN BOYER: I'm going to overrule the
15 objection, but instruct Mr. Robinson to answer the
16 question rather than editorializing.

17 If you would, please.

18 MR. BALL: Thank you, Chairman.

19 Q. (BY MR. BALL) Mr. Robinson, in its 24th of
20 April 2007 order on the stipulation in Docket
21 06-057-T04, captioned In the Matter of the Application
22 to Remove GSS and EAC Rates From Questar Gas Company's
23 Tariff, the Commission wrote, "When considering whether
24 to expand its utility plant, Questar makes its
25 independent business decision on whether to expend its

1 own funds to expand its utility plant to serve new
2 areas, "Relying upon its impeccable tariff charge,
3 parenthesis, generally line extension fees and utility
4 service rates, closed parenthesis, to generate
5 sufficient revenues to recoup the costs of the
6 expansion.

7 "If the anticipated revenues are
8 insufficient to meet the Company's business return
9 expectations, vis-à-vis the expected costs to extend
10 into a new service area, the Company will decide not to
11 enter the new area to provide utility service."

12 With regard to the areas served at GSS and
13 EAC rates, that isn't quite accurate, is it? The
14 Company actually came to the Commission and said,
15 Please let us have additional rates to cover these
16 additional costs of investing in these fairly thinly
17 populated rural areas. Is that not correct?

18 A. Yes, that -- the -- the proposals to go
19 to -- to each and all of these expansion areas were
20 conducted in hearings before the Commission. The
21 analysis was presented to the Commission on the costs,
22 the expected costs of running the service, the expected
23 revenues. And all of the parties in each of those
24 cases agreed that it was in everyone's interests to
25 extend service to these areas, and charged a premium

1 rate for some period of time.

2 MR. BALL: Thank you, Mr. Robinson.

3 Thank you, chairman.

4 CHAIRMAN BOYER: Thank you, Mr. Ball.

5 Mr. Gardner, have you questions of
6 Mr. Robinson?

7 MR. GARDNER: I do have a few.

8 I'm sorry I'm recovering from a sore throat,
9 so. My questions won't be sweet but I'll try to keep
10 them short.

11 CROSS EXAMINATION

12 BY MR. GARDNER:

13 Q. I have a few questions about Questar's
14 proposal to split the GS-1 schedule.

15 CHAIRMAN BOYER: Mr. Gardner, could you
16 bring that mic a little closer?

17 MR. GARDNER: I think I can. It doesn't
18 sound much better though, does it?

19 CHAIRMAN BOYER: You've amplified your
20 hoarseness, though, for us.

21 MR. GARDNER: Okay. I'm sorry about that.

22 Q. (BY MR. GARDNER) Anyhow, it's true, isn't
23 it, that there was no consensus in the task force as to
24 whether the GS-1 class should be split into residential
25 and commercial customers, isn't it?

1 A. Well, there was a general consensus that the
2 classes should be looked at separately, but there was
3 not an agreement among the parties as to how the class
4 should be separated.

5 Q. My question was, was there a consensus to
6 split the GS-1 class along the lines of commercial
7 customers and residential customers?

8 A. Not a complete consensus.

9 Q. Would you turn to page nine of your direct
10 testimony, please?

11 MS. LARKIN BELL: Mr. Gardner, I assume
12 that's page nine of his updated direct testimony?

13 MR. GARDNER: Yes. I hope so.

14 Q. (BY MR. GARDNER) And would you go down to
15 lines 199 through 202 and read the question and the
16 answer back?

17 A. The question that starts, Did the task
18 force?

19 Q. Yes.

20 A. "Did the task force make any recommendations
21 regarding separating the GS-1 rate schedule into
22 residential and commercial sectors.

23 "The task force spent --"

24 Q. That's your answer now. Right?

25 A. This is the answer.

1 "The task force spent a significant amount
2 of time reviewing the -- this issue, however there was
3 no consensus."

4 Q. And that's a truthful, accurate answer,
5 isn't it?

6 A. Yes.

7 Q. Okay.

8 The current GS rate schedule consists of two
9 blocks with the declining rate structure, doesn't it?

10 A. Yes.

11 Q. And there's also summer and winter
12 differential rates. Is that correct?

13 A. Yes.

14 Q. But under Questar's proposal, there will be
15 a flat rate schedule for residential customers. Is
16 that correct?

17 A. Yes, but even under the current rate
18 schedule --

19 Q. The question I asked can be answered yes or
20 no.

21 A. Okay.

22 Q. Questar's split proposal provides for a flat
23 rate schedule for residential customers, doesn't it?

24 A. Yes.

25 Q. But, for commercial users in the current

1 GS-1 class, Questar would use three blocks with a
2 declining rate schedule. Correct?

3 A. Yes.

4 Q. I think you testified that Utah has a
5 separate sales tax rate for residential and commercial
6 customers? Is that correct?

7 A. Yes.

8 Q. Do you know what the sales tax rate is for
9 residential customers?

10 A. I don't know the exact rate, and it varies
11 from -- from county to county.

12 But the commercial -- and the commercial tax
13 rate also varies from county to county and city to
14 city, but in general, the commercial rate is some two,
15 two and a half percent higher than the residential
16 rate.

17 Q. Okay. So Questar Gas identifies its
18 customers as either residential or commercial in its
19 billing records, doesn't it?

20 A. Yes.

21 Q. And specifically what happens is, when a
22 customer wants gas, it tells Questar whether the gas is
23 primarily to be used for residential or commercial
24 purposes.

25 A. Yes.

1 Q. Correct?

2 So it's self-reporting.

3 A. Yes.

4 Q. The customer tells Questar what it is, and
5 that's what Questar puts down and bills. Correct?

6 A. That's right.

7 Q. And, in fact, a customer can call in and
8 change his classification if he wants to, can't he?

9 A. If he's changed -- if he has a rationale for
10 the change.

11 Q. Yes. Specifically, he can call up Questar
12 and say, I want to change from a residential to a
13 commercial customer, because my gas is now used
14 primarily for commercial uses. Can't he?

15 A. Yes.

16 Q. Would you agree, there's currently a billing
17 incentive to label yourself as a residential customer?

18 A. If -- if the customers were aware of the
19 sales tax differential, and thought that that was
20 incentive enough to -- to not report correctly.

21 Q. Okay.

22 Some small commercial customers have similar
23 gas usage patterns as residential customers, don't
24 they?

25 A. Some do, yeah.

1 Q. In fact, it's about 33 to 38 percent of all
2 commercial customers in the GS-1 schedule, isn't it?

3 A. I don't know that percentage.

4 Q. Who does know?

5 A. Well, what -- what percentage are you --
6 what are you --

7 Q. Of all of the commercial customers in the
8 GS-1 schedule, isn't it true that 33 to 38 percent of
9 them have the same usage patterns as residential
10 customers?

11 A. I don't know. I don't know where you're
12 getting that 38 percent, or how to verify that.

13 Q. I'm just asking if you know, sir.

14 A. I don't know.

15 Q. Do you know of any witness who will testify
16 on behalf of Questar who knows?

17 A. No, I don't. I'm not aware of any -- anyone
18 that has tried to quantify that number.

19 Q. Okay.

20 But not to beat a dead horse, but you do
21 agree that some small commercial users do have use
22 patterns similar to residential customers. Right?

23 A. Yes.

24 Q. Why separate them then from residential
25 customers?

1 advantage of the residential programs.

2 There may be some overlap among the programs
3 that -- in which incentives are given for similar --
4 similar activities for commercial versus residential,
5 but the programs are separate.

6 And in the end, the separating of the
7 commercial customers from the residential customers
8 allows the Company to perform cost of services on
9 the -- on the two classes separately, and see if the
10 classes are over or under-paying based on that cost of
11 service.

12 Q. Yes. My question wasn't why does Questar
13 want to separate commercial customers from general --
14 from residential customers, my question was why would
15 it separate small commercial users who have the same
16 gas usage patterns as residential customers.

17 A. I think I answered the question.

18 Q. All right.

19 Now, does Questar intend to use the same
20 block rate for general service customers for the first
21 block now in the future? Or does it intend to change
22 it down the road?

23 A. I -- that has not been discussed in my -- in
24 my knowledge, but I wouldn't expect -- I would expect
25 that if the -- the -- the -- in the -- if the Company

1 determines, as it has in this case, that the usage
2 patterns of the small commercial versus the residential
3 customers are similar, that the -- the rate structure
4 that we have proposed in this case would continue in
5 the future; and that is to have the first block of the
6 commercial rate be the same as the residential rate.

7 Q. Yet still you want to remove the small
8 general -- the small general service commercial
9 customers out of a class different than the general
10 residential rate customers. Correct?

11 A. That's the Company's proposal, yes.

12 Q. And that's what you think is correct?

13 A. Yes.

14 Q. All right.

15 Now, isn't it true that some general rate
16 customers use more than 45 decatherms per month?

17 A. Some residential you say?

18 Q. Yes.

19 A. Yes.

20 Q. I have a large house. That's why I'm
21 asking.

22 A. There are some residential customers that
23 use over 45, yes.

24 Q. But those customers, if the proposal's
25 adopted, will pay a higher rate for gas than general

1 service customers who use more than 45 decatherms per
2 month?

3 A. Than commercial customers that do.

4 The residential customers that use over 45
5 would use more than the commercial customers that use
6 over 45.

7 Q. They'll pay more.

8 A. Pay more. Yes.

9 Q. Don't you think that's discriminatory?

10 A. Well, I don't think it's discriminatory, no.

11 Q. Well, all right.

12 Back to this -- to using the tax code method
13 for identifying customers.

14 Questar agrees that that's arbitrary.

15 Doesn't it?

16 A. It is -- it is a method that has been -- it
17 is one method that can be used to separate the classes.

18 Q. Questar agrees that it's an arbitrary
19 method, doesn't it?

20 A. Well, what exactly do you mean arbitrary?

21 Q. Would you turn to page 21 of your direct
22 testimony?

23 Pardon me. Lines 525 -- 531 to 533.

24 A. I guess I did say arbitrary.

25 Q. Would you read that, please? Lines five --

1 A. I said, "The Company recognizes that the use
2 of the tax code in the Company's system is an arbitrary
3 method of categorizing customers as residential or
4 commercial."

5 Q. Okay. Was that a truthful statement?

6 A. Yes.

7 Q. Okay. Is there anywhere in Questar's
8 governing principles for setting rates that include
9 conservation?

10 A. Yes. The -- one of the Bonbright principles
11 that I included in my direct testimony was the -- I
12 could quote it directly.

13 Q. That's on page 16, isn't it? Of your
14 direct testimony?

15 A. Yes. It's --

16 Q. I couldn't find, in your direct testimony,
17 where you specifically used the word conservation.

18 Do you believe, though, that the principal
19 of conservation is included in paragraph four? That
20 deals with efficiency?

21 A. Yes. It's the efficiency of the rate
22 classes and the rate blocks in discouraging wasteful
23 use of service.

24 I think that encompasses conservation.

25 Q. Okay. What is the -- if the proposal goes

1 through, how much of a discount in its gas is the
2 commercial customer going to receive in the second
3 block?

4 A. I'd have to look that up.

5 Q. You don't know?

6 A. Not off the top of my head.

7 Q. Do you know what it would receive in the
8 third block?

9 A. Not off the top of my head, no.

10 Q. Forty percent sound right?

11 A. That could be correct, subject to check.

12 Q. And the second level of 33 percent?

13 A. Subject to check.

14 Q. Now, you would agree, wouldn't you, that
15 that declining rate block schedule does not encourage
16 conservation, does it?

17 A. It certainly doesn't discourage
18 conservation.

19 Q. My question was, does it encourage
20 conservation?

21 A. Well, I believe that the rate structure and
22 the motivation of customers to -- to pay the least
23 of -- the least amount that they possibly can to -- to
24 the utility motivates customers regardless of whether
25 the rate -- the particular rate goes down. The

1 customer still has motivation to use less, if they can.

2 Q. All right.

3 As part of your responsibilities, did you
4 prepare the data responses to the AARP's data requests?

5 A. Under my direction, yes.

6 Q. Under your direction.

7 You would agree, wouldn't you, that those
8 who have -- those who receive heat assistance have a
9 lower average monthly bill than other residential
10 customers, wouldn't you?

11 A. Is that in the response to one of the data
12 requests?

13 Q. It is.

14 A. Okay.

15 Q. And you would also agree that they have a
16 lower average one-month peak, wouldn't you?

17 A. If that's included in the data request, yes.

18 Q. And it is, and it's been that way for the
19 past three years?

20 A. Okay.

21 MR. GARDNER: Okay. I don't have any other
22 questions.

23 Thank you, Mr. Robinson.

24 CHAIRMAN BOYER: Thank you, Mr. Gardner.

25 Before we see if the commissioners have

1 questions, let me check on the wellbeing of our
2 reporter.

3 MS. LARKIN BELL: Would it be possible to
4 take a short break?

5 CHAIRMAN BOYER: Certainly. I didn't check
6 on Ms. Bell's wellbeing.

7 Let's take a quick break.

8 Let's take a five- or ten-minute break then.

9 (Whereupon, a break was taken.)

10 CHAIRMAN BOYER: Okay. Let's go back on the
11 record then, and now we'll see if the commissioners
12 have questions of Mr. Robinson. Beginning with
13 Commissioner Allen.

14 COMMISSIONER ALLEN: Thank you,
15 Mr. Chairman.

16 EXAMINATION

17 BY COMMISSIONER ALLEN:

18 Q. I have just one area, and that is one,
19 Mr. Robinson, you have approached the issue of
20 declining block rates. And, of course, we've been
21 asked as a Commission to provide some clarity in the
22 future, by at least one party or more, about how
23 declining rates work in the context of sharing costs or
24 designing how costs are applied; and also, how that
25 works into conservation issues that we're all dealing

1 with these days.

2 And I'm just curious. Remind me, because
3 the testimony is pretty extensive, and maybe this is
4 more appropriate for Mr. Bateson or also from
5 Mr. Bateson. But when you look at the sharing of these
6 costs, I understand that when you have the higher
7 volumes you have the costs get split out and you have
8 some declining costs there.

9 But did you look at how this impacts, at
10 all, from your viewpoint, how it impacts conservation
11 or motivation for conservation?

12 Do you apply any kind of elasticity of
13 demand studies, or are you strictly looking at costs in
14 your analysis and how they're divided?

15 A. Well, my comment on that would be that --
16 that, first of all, as I -- as I said to Mr. Gardner,
17 the -- using the declining block rates, the one -- the
18 one thing that -- that even though the rates decline,
19 as customers use more, they pay more.

20 And so there -- there's also still the
21 motivation to conserve. I mean, customers, as the
22 rates go down, in the later blocks, the customer's bill
23 does not go down. So as customers use more, customers
24 pay more.

25 So there's still incentive for customers to

1 use less.

2 The other thing that I think is important to
3 observe is that the DNG portion of rates is -- is
4 diminishing over time in comparison to the
5 total -- total rate.

6 For example, right now, under the current
7 rates, on the residential -- for the residential
8 customers, the DNG rates make up somewhere between 21
9 and 23 percent of the total rate.

10 And so 80 percent, or 78 percent of the
11 customer's total bill is based on commodity rate. And
12 the commodity rate is flat; overall seasons and overall
13 usage.

14 And so the vast incentive of a customer's
15 bill is just as the parties in this case that are
16 arguing against declining block rates. It -- it is, in
17 fact, for the gas cost portion, and so the -- the
18 incentive is still there.

19 What's important, I think, on the DNG side
20 of the rate, is to try and design the rates that are --
21 so that customers are billed correctly.

22 I don't think that these are opposing
23 strategies. The use of -- of declining block rates in
24 order to -- and basic service fees in order to bill
25 customers correctly, their cost of service, does not

1 impinge upon the goals of conservation that we all
2 have. Because the vast portion of a customer's bill is
3 flat.

4 Does that make sense?

5 COMMISSIONER ALLEN: Yes. Thank you.

6 CHAIRMAN BOYER: Commissioner Campbell?

7 COMMISSIONER CAMPBELL: I have a couple of
8 questions.

9 EXAMINATION

10 BY MR. CAMPBELL:

11 Q. The first has to do with the GSS and the EAC
12 rates. And you've given three reasons why a six
13 percent interest rate could be used in the calculation.
14 Let me run one more by you and see if -- see if -- tell
15 me -- tell me why it's up in the air, so to speak.

16 And that is, as -- as you look at someone
17 who does not have advantage of a GSS or EAC rate, and
18 you have someone in the Wasatch Front that exceeds the
19 allowance --

20 Let's say there's a developer and they
21 develop a subdivision in the southwest corner of the
22 county. And because it's out there, they have to pay
23 above and beyond the allowance that's given them.

24 As I look at that, I would think, then, that
25 the developer would -- would, of course, pay you that

1 amount, and then they would put that into the price of
2 the lot, and that would get passed on to the homeowner.

3 So if we're trying to make sure there's not
4 an unfair distinction between those in the rural areas
5 and those here in the urban areas, as I thought about
6 that, I thought, Well, then how does the homeowner pay
7 for that? Well, you probably usually roll it into
8 their mortgage.

9 And I kind of looked at 15-year mortgage
10 rates over the last ten to 15 years, and would it
11 surprise you to know that those were closer to six
12 percent than 9.64 percent?

13 A. No. That would not surprise me at all. I
14 think that is another rationale that you could use for
15 the six percent, or in a rationale that shows that the
16 six percent is within --

17 Q. A range of reasonableness?

18 A. Yes.

19 Q. As it relates to these line distinction --
20 or line distinction rates that we developed, let me ask
21 you about GEV.

22 I think one of the arguments is we're going
23 to use the gradualism on your NGV customers.

24 And I guess my question is, gradualism is a
25 principal of utility rate-making. I'm not sure, and I

1 want you to draw for me perhaps a distinction between
2 NGV and utilities rates insofar as these customers are
3 making -- they have a choice.

4 They don't have to buy an NGV vehicle and
5 get this rate. They have a choice to buy a gasoline
6 vehicle. And so why would gradualism apply in a
7 non-utility setting?

8 I mean, I -- I guess I could be a little
9 sarcastic and say, Does gradualism apply when we saw
10 the gas prices at the pump this last summer? And the
11 answer is clearly no. There was no gradualism. That's
12 just market.

13 And so why wouldn't we want to put the
14 NGV -- I mean, I'm thinking -- I understand there are a
15 certain amount of customers that would deliver dramatic
16 increase.

17 I guess another concern is the 2,000; 3,000;
18 4,000 customers that are looking to buy a vehicle now,
19 and we don't set a correct price signal, and then
20 they're into a vehicle and then they see it rise
21 50 percent after they buy their vehicle. Would you
22 comment on those -- those thoughts?

23 A. Well, in general, I would -- I would say
24 that -- that charging customers cost of services, if
25 possible, is the best solution. In all -- in all

1 cases.

2 But I know that the Commission has had this
3 policy of gradualism in the past.

4 The NGV rate is certainly a rate that is
5 different than the other rates offered by the Company,
6 in that the NGV -- the gas sold at the NGV stations are
7 in direct competition with gasoline.

8 And so I could -- and my position in this
9 case was to support the Division's proposal to go half
10 of the way towards cost of services, but I could also
11 be persuaded to go 100 percent of the way to cost of
12 services.

13 And that is a position that I considered,
14 but I eventually went -- supported the Division's
15 proposal to go 50 percent of the way there.

16 Q. Have you done the calculation where you
17 could tell us what would be the price of natural gas at
18 the pump if you went 100 percent cost of service
19 without any Wexpro gas being part of that?

20 A. I have not done that calculation, but I
21 could do that. Or --

22 Q. I'd be interested in getting that before the
23 end of the hearing.

24 A. Okay. I'll --

25 COMMISSIONER CAMPBELL: Thank you.

1 break for lunch about 12 o'clock, but I think we can
2 start with your next witness if you wish.

3 MS. LARKIN BELL: Okay. I would like to now
4 call Mr. Steve Bateson.

5 And I don't believe Mr. Bateson has been
6 sworn.

7 CHAIRMAN BOYER: We'll let him get arranged
8 here and then we'll swear him in.

9 STEVEN R. BATESON,
10 having first been duly sworn, was examined and testified
11 as follows:

12 CHAIRMAN BOYER: Thank you. Please be
13 seated.

14 Ms. Bell?

15 DIRECT EXAMINATION

16 BY MS. LARKIN BELL:

17 Q. Good morning.

18 Would you please state your full name for
19 the record?

20 A. My name is Steven R. Bateson.

21 Q. And, Mr. Bateson, by whom are you currently
22 employed?

23 A. I'm employed by Questar Gas Company.

24 Q. And what is your title at Questar Gas
25 Company?

1 A. I'm a regulatory affairs specialist.

2 Q. Mr. Bateson, how long have you been employed
3 at Questar Gas Company?

4 In total.

5 A. In total, just under -- oh, about 17 and a
6 half years.

7 Q. And --

8 A. With -- with the addition of five years of
9 consulting, so about 22 years including that.

10 Q. And in your career, either employed by
11 Questar Gas Company or consulting for Questar Gas
12 Company, what was the primary focus of your duties and
13 responsibilities?

14 A. For the bulk of my career, I've been
15 involved in the regulatory affairs area.

16 From near the beginning, my specialty was
17 cost allocation and rate design.

18 I continued my involvement --

19 CHAIRMAN BOYER: Mr. Bateson, is your -- is
20 the green light on in your mic?

21 THE WITNESS: It appears to be on. Is it
22 not --

23 CHAIRMAN BOYER: Maybe just move it a little
24 closer to you.

25 THE WITNESS: I'll try that.

1 CHAIRMAN BOYER: Thank you.

2 If it's --

3 THE WITNESS: Is that better?

4 There was a slight difference in color, so.

5 CHAIRMAN BOYER: Let's try it on a couple.

6 THE WITNESS: That's better, isn't it?

7 CHAIRMAN BOYER: Yes.

8 THE WITNESS: For the vast majority of that
9 time, my involvement was with -- in the area of cost
10 allocation and rate design.

11 MS. LARKIN BELL: Thank you.

12 Q. (BY MS. LARKIN BELL) Did you file direct
13 testimony pre-marked as Updated Direct Testimony of
14 Steven R. Bateson, QGC Exhibit 8.0U with seven exhibits
15 attached; and rebuttal testimony premarked as Rebuttal
16 Testimony of Steven R. Bateson, QGC Exhibit 8.0R, with
17 six exhibits attached; and Surrebuttal Testimony
18 premarked as GGC Exhibit 8.0R in this?

19 A. Yes, I was.

20 Q. And if you were asked these questions today
21 in your testimony, would your responses be the same?

22 A. Yes.

23 Q. Do you have any corrections to that
24 testimony?

25 A. With the exception of a clarification that

1 Dr. Dismukes made in his surrebuttal testimony that his
2 intent has always been to use the distribution
3 throughput study to allocate the 25 percent of small
4 diameter mains, which was not clear in his direct or
5 rebuttal, I agree that that is his testimony.

6 And to the extent I argued that his
7 statements that he was using throughput did not reflect
8 his position, those questions were no longer necessary,
9 nor my answers.

10 Q. In your testimony?

11 A. Yes.

12 MS. LARKIN BELL: I would move to admit
13 Mr. Bateson's filed direct testimony, rebuttal, and
14 surrebuttal, with accompanying exhibits.

15 CHAIRMAN BOYER: Are there any objections to
16 the admission of Mr. Bateson's updated direct
17 testimony, rebuttal testimony, and surrebuttal
18 testimony?

19 MS. SCHMID: None.

20 MR. PROCTOR: Mr. Chairman, I have to admit
21 that I was very confused by his explanation of his
22 correction or additions to his testimony.

23 Would it be too much to ask him to go
24 through that again?

25 I honestly don't understand what precisely

1 in his testimony he was changing.

2 CHAIRMAN BOYER: He was saying that certain
3 portions of it were no longer necessary in view of
4 Dr. Dismukes' surrebuttal testimony. But if you'd like
5 to explain that again for Mr. Proctor.

6 THE WITNESS: Sure.

7 MR. PROCTOR: Well, what sections of his
8 testimony, parts, or line number that he is now
9 modifying. That's what I would like to know, please.

10 CHAIRMAN BOYER: I'm not sure he's saying
11 that he wants to revise his testimony. It's just that
12 it's not -- it's no longer necessary. So it's
13 superfluous. But I think it would remain in the
14 record.

15 MS. LARKIN BELL: I think that's correct. I
16 don't think Mr. Bateson is suggesting, Mr. Proctor,
17 that we change his testimony at this time.

18 MR. PROCTOR: I'm still very confused.

19 CHAIRMAN BOYER: He addressed things that
20 are now academic, and so he was just clarifying that.
21 That there's superfluous. That's --

22 I'm testifying for him here.

23 MS. LARKIN BELL: I believe that's correct.

24 CHAIRMAN BOYER: That's the way I understood
25 his testimony.

1 MS. LARKIN BELL: Yeah.

2 CHAIRMAN BOYER: Let me voir dire him.

3 Was the testimony correct at the time you
4 presented him?

5 THE WITNESS: I believed it was.

6 Dr. Dismukes had made some statements in his
7 direct and rebuttal testimony which led me to believe
8 that he had done one thing. He clarified it in his
9 surrebuttal testimony, and I agree that he did do it
10 the way he clarified.

11 I could point out in my rebuttal testimony
12 where I talked about Dr. Dismukes' issue. That issue
13 is now moot.

14 MR. PROCTOR: Well, nothing's moot at this
15 point.

16 I'd like to know exactly where it is that he
17 was -- I don't mean to use this word in a disparaging
18 way, misreading or misinterpreting Dr. Dismukes'
19 testimony. And he's now admitting that his testimony
20 was incorrect. That I would like to know.

21 CHAIRMAN BOYER: Is that readily available?

22 THE WITNESS: I'd be happy to start there.

23 In Dr. Dismukes' direct testimony, lines 471
24 and 472, in reference to his proposal to allocate
25 25 percent of the small diameter mains on a commodity

1 basis, he states, quote, 25 percent weight on
2 throughput, paren, decatherm factor.

3 In his rebuttal testimony --

4 CHAIRMAN BOYER: Mr. Bateson, where were you
5 in the direct?

6 THE WITNESS: That was in the direct, lines
7 471 to 472.

8 CHAIRMAN BOYER: And now you're moving to
9 Dr. Dismukes' rebuttal testimony?

10 THE WITNESS: Yes.

11 CHAIRMAN BOYER: Very well.

12 THE WITNESS: In Dr. Dismukes' rebuttal
13 testimony, at lines 142, 143, Dr. Dismukes states,
14 quote, My recommendation was that my remaining share,
15 25 percent, be allocated on a throughput basis only.

16 From those two statements, I interpreted
17 Dr. Dismukes' position to be that he was going to use
18 the throughput factor.

19 MR. PROCTOR: And if I may, where in your
20 testimony were you testifying to this? To your
21 interpretation?

22 THE WITNESS: Moving into my testimony.

23 MR. PROCTOR: Yeah.

24 THE WITNESS: The part where I would have to
25 change it today --

1 MR. PROCTOR: Give me a line number, please.

2 THE WITNESS: 108 of my rebuttal testimony.

3 MS. LARKIN BELL: And, Mr. Bateson, could
4 you read that for us?

5 Is that the sentence beginning,
6 "Dr. Dismukes is advocating?"

7 THE WITNESS: I would actually begin in the
8 sentence before.

9 MS. LARKIN BELL: Please do.

10 THE WITNESS: Okay.

11 I was referring to my distributions plant
12 throughput study which is a separate throughput value.
13 This factor includes only those quantities that are
14 delivered using the IHP distribution system.
15 Dr. Dismukes is advocating the use of a throughput
16 factor that includes a significant quantity of gas that
17 never touches the IHP system.

18 MR. PROCTOR: And you wish to now change
19 that testimony?

20 THE WITNESS: Yes. Because he clarified
21 that he was using the proper throughput factor,
22 contrary to his testimony in direct and rebuttal.

23 MR. PROCTOR: So to what would you --

24 Pardon me, Mr. Chairman, if I'm stepping on
25 your toes, but --

1 So what would your testimony now be?

2 THE WITNESS: He has used the correct factor
3 to reflect what gas goes through the distribution
4 system.

5 My objection, which was a technical
6 objection to his use of system quantities, is no longer
7 valid.

8 CHAIRMAN BOYER: Okay. With that
9 clarification, are there objections to the admission of
10 Mr. Bateson's testimony, updated direct, rebuttal, and
11 surrebuttal?

12 MR. PROCTOR: I would have no objections,
13 presumed, of course, that I would reserve the right to
14 inquire as to the reasons for his change on
15 cross-examination.

16 CHAIRMAN BOYER: That would be an
17 appropriate use of cross-examination, Mr. Proctor.
18 Let's move to there.

19 Seeing no objections then, Mr. Bateson's
20 updated testimony, updated direct testimony, rebuttal,
21 and surrebuttal testimony will be admitted into
22 evidence.

23 (Whereupon, Mr. Bateson's Updated
24 Direct Testimony, Rebuttal and
25 Surrebuttal were received.)

1 CHAIRMAN BOYER: Ms. Bell?

2 Q. (BY MS. LARKIN BELL) Mr. Bateson, have you
3 prepared a summary of your testimony?

4 A. Yes, I have.

5 Q. Would you please give that?

6 A. The Company conducted a comprehensive cost
7 of service study that is intended to fairly allocate
8 costs to the various customer classes.

9 An intensive effort was undertaken during
10 and after the cost of service and a rate design task
11 force to develop a more detailed model.

12 The Company received a lot of very good
13 input from task force participants.

14 Based on this input, the cost of service
15 study previously used by the Company was modified,
16 incorporating many of those suggestions.

17 The Company also received valuable input on
18 rate design.

19 We have incorporated many of those
20 suggestions in the Company's proposal.

21 The most significant element of the cost of
22 service study is the distribution plant study.

23 The Company's distribution plant study is a
24 rigorous analysis of the plant used to provide service
25 to individual customers of all sizes.

1 The primary goal in conducting the
2 distribution plant study is to capture sufficient
3 information to accurately characterize the investment
4 in metering, service lines, and local mains for each
5 meter type.

6 The study is based on a statistically valid
7 sample design. The Company's approach in designing the
8 sample was very conservative. For example, the entire
9 population of the largest meters was included in the
10 analysis.

11 The sample size for the smaller meters was
12 established based on the variability investment we
13 observed in previous studies.

14 The sample design provides the basis for a
15 fair and unbiased measurement of the investment in
16 customer-specific meters and service lines, and the
17 portion of mains considered in the study.

18 Dr. Dismukes and Mr. Gregory are advocating
19 that the study be diluted by factoring in commodity
20 allocations.

21 In the case of customer-specific meters and
22 service lines, the study directly determines the
23 individual customer responsibility for investment in
24 these facilities.

25 There's no valid reason to use a commodity

1 allocation factor to allocate costs related to these
2 customer-specific facilities.

3 The same two parties are advocating that
4 dissolution of the small diameter main plant study,
5 again by blending commodity with the plant study.

6 The modifications proposed are redundant to
7 the Company's existing approach. The Company has
8 already incorporated, in its distribution plant study
9 and class rate designs, measures that account for the
10 theories underlying the approaches advocated by
11 Dr. Dismukes and Mr. Gregory.

12 Another area of disagreement before the
13 Commission is the Company's derivation of the peak-day
14 factor. The Company has followed the traditional
15 approach of measuring each customer class's
16 contribution to peak under design conditions.

17 This is the appropriate approach insofar as
18 this allocation factor is used to allocate costs
19 associated with the design capacity of the distribution
20 system.

21 In each instance where the peak-day factor
22 is used, it is blended with the commodity throughput
23 factor to account for the shared function of the
24 facilities involved.

25 The percentage weighting proposed by the

1 Company is near the center of the positions taken, and
2 results in a fair allocation.

3 It is interesting to note that Dr. --
4 Mr. Gregory's 80/20 approach results in nearly the same
5 allocation as the Company's 60/40 blend.

6 Unfortunately, as pointed out in my rebuttal
7 testimony, Mr. Gregory's approach to calculate the
8 class-by-class peak contribution is theoretically
9 unsound.

10 The Company is proposing to moderate the
11 transportation administration fee in this case. I
12 examined the marginal costs associated with
13 administering transportation and found that they were
14 lower than the average costs reflected in the current
15 charge.

16 The Company has proposed to lower the
17 administrative charge. No party has opposed that
18 proposal.

19 The Company has used cost curves to aid in
20 the design of rates. The Company has used cost curves
21 going back to at least the 1960s.

22 The cost curves are used to portray the
23 behavior of costs over the range of use that can be
24 expected within a given rate class.

25 I presented a study in my rebuttal testimony

1 demonstrating the cost curves work. They are effective
2 in showing the costs to serve various-sized customers.

3 Basic service fees and declining block rates
4 are inter-related.

5 These rate design elements allow for the
6 recovery of an appropriate level of customer-related
7 costs from a wide variety of customers.

8 In this case, the Company has continued the
9 trend of simplifying its rate design through the
10 elimination of the second GSR block.

11 The direct outcome of this design
12 simplification is an increase in the importance of
13 setting the customer charges at an appropriate level.

14 The Company has proposed some refinements to
15 the structure of the basic service fees.

16 These refinements include a new category
17 that covers residential apartments, and second,
18 refinement involves the realignment of capacity ranges
19 applicable to each fee category.

20 These changes are being proposed to better
21 reflect the cost structure identified in the
22 distribution plant study.

23 The Company's proposed basic service fee
24 rate design uses a spectrum of five basic service fee
25 categories that apply to customers of various size.

1 It is very important to preserve the
2 relationship across the spectrum of these basic service
3 fee categories.

4 The Company has presented a rate design that
5 fairly balances fixed cost recovery with usage-driven
6 cost recovery.

7 The Company's realignment of the basic
8 service fees should be approved.

9 The Company's proposed summer/winter
10 differential achieves the objective for which it was
11 designed. It allows for the recovery of the
12 appropriate level of demand-related costs from the
13 customers responsible for those costs.

14 The Commission should adopt the Company's
15 proposal.

16 The Company has prepared an unbiased
17 cost-of-service study and the Company has designed
18 rates that recover the appropriate level of costs from
19 individual customers.

20 I believe the Company's rate design sends
21 appropriate price signals to customers.

22 The proposals before this Commission to
23 increase rates for some, while at the same time
24 reducing rates for others, under the guise of energy
25 efficiency, will not improve the price signal customers

1 receive.

2 The minor benefits derived by making rates
3 flatter and reducing the fixed charges do not justify
4 the loss of inter-class cost equity.

5 Raising tailbroke rates which will impact a
6 small percentage of customers, while at the same time
7 lowering the first block, which applies to the vast
8 majority of customers, will not improve the price
9 signal customers receive.

10 The recommendation for keeping the existing
11 basic service fees and moving towards flatter rates
12 should be rejected.

13 The Company enthusiastically supports
14 efficiency. The goal of achieving greater efficiency
15 is not impaired by good rate design.

16 Thank you.

17 CHAIRMAN BOYER: Thank you, Mr. Bateson. I
18 think this is a -- sort of a natural break, lull in the
19 excitement in the morning. So let's take -- let's be
20 in recess for one hour and 30 minutes. We'll reconvene
21 here then in one hour and a half.

22 We will commence cross-examination at that
23 point. Thank you.

24 (Whereupon, a break was taken.)

25 CHAIRMAN BOYER: So let's go back on the

1 record.

2 And before we commence with
3 cross-examination of Mr. Bateson, we're prepared to
4 rule on the motion to strike portions of
5 Mr. Dismukes -- or Dr. Dismukes' testimony.

6 And in doing so, we're not deviating from
7 practice in this case and in the most recent cases in
8 terms of live sur-surrebuttal.

9 In the break -- or while we were on the --
10 actually, while we were on the bench, our colleagues
11 did a fairly detailed analysis of Mr. Bateson's direct,
12 rebuttal, and surrebuttal testimony, as well as
13 Dr. Dismukes, and noted that Mr. Bateson did talk about
14 the distribution plant factor development. How that
15 was done. His rebuttal talked about the -- a concern
16 there.

17 I guess Dr. Dismukes had a concern about the
18 watering down of the distribution plant factors.

19 Dr. Dismukes does elaborate on points that
20 he raised in direct and rebuttal.

21 And in this case -- and we're doing this on
22 a case-by-case basis, and we've decided to deny the
23 motion to strike the testimony, because it, in a very
24 generous interpretation of the procedures on
25 surrebuttal, probably falls within the appropriate

1 limits of -- of surrebuttal in that it responds
2 generally to these things.

3 However, in saying that, we would like to
4 call all of the parties' attention, we're not going to
5 do anything differently in this case, but we've become
6 a little lax, I suppose, in following our own rule,
7 746(F)(2)(c), which requires some annotation and
8 explanation, and you know the lead behind the testimony
9 that is given. And so we'd just call your attention to
10 that for -- for future reference.

11 In this particular case, Dr. Dismukes'
12 surrebuttal was timely filed. The parties have had an
13 opportunity to prepare to cross-examine and care for
14 that. And based on what I've said, we will give those
15 lines, the offending lines, those that were objected
16 to, appropriate weight in our deliberations.

17 With that, let's commence with
18 cross-examination.

19 Ms. Schmid?

20 MS. SCHMID: Yes.

21 MS. LARKIN BELL: Chairman Boyer?

22 CHAIRMAN BOYER: Yes.

23 MS. LARKIN BELL: May I just -- before we
24 begin with cross-examination, I guess I just need to be
25 clear on your ruling that we are not going to respond

1 to Dr. Dismukes, or be allowed the opportunity to
2 respond to Dr. Dismukes surrebuttal in live
3 surrebuttal?

4 CHAIRMAN BOYER: That is correct. But you
5 will have the opportunity to cross-examine him on --

6 MS. LARKIN BELL: I guess my concern with
7 the cross-examination is, I have a witness here today
8 who is prepared to address, at least on a limited
9 basis, some of the concerns he has with regard to the
10 example that Dr. Dismukes put in the surrebuttal
11 testimony, that I probably would not get from
12 Dr. Dismukes out of cross-examination.

13 So I guess I would like to proffer that
14 evidence, to the extent that Mr. Bateson is prepared
15 today, or could have given that evidence, at least for
16 purposes of indicating that on the record.

17 CHAIRMAN BOYER: And this witness who's
18 available today only is Mr. Bateson?

19 MS. LARKIN BELL: Correct.

20 I realize this is a narrow issue, and a
21 limited issue. I --

22 It's not a critical issue to our case, but
23 for us, it's a due process issue, and it is a -- an
24 important issue from that standpoint.

25 CHAIRMAN BOYER: When you mean proffer, you

1 want to represent what he would have testified?

2 MS. LARKIN BELL: Well, I think I did that
3 just very lightly, but I think, yes, he would be able
4 to identify here today some of the concerns he has with
5 that surrebuttal example. The surrebuttal CCS 5.1
6 exhibit. And he would like to -- or he could have
7 explained why Dr. Dismukes' statistical analysis does
8 not undermine the validity of the distribution plant
9 factor study that Mr. Bateson has performed, or that it
10 would require the inclusion of a throughput component
11 to compensate for any perceived biases in the study.

12 I mean, just -- that would be the end of
13 what he would be able to provide today, that I don't
14 think could properly be developed through
15 cross-examination.

16 CHAIRMAN BOYER: Through cross-examination.
17 And we have people trying not to prove their case in
18 cross-examination.

19 MS. LARKIN BELL: Unless, of course, I could
20 get Dr. Dismukes to admit those.

21 CHAIRMAN BOYER: Mr. Proctor, under these
22 circumstances -- you would still have a last
23 opportunity. Your witness would have an opportunity to
24 respond to whatever he says today. What's your
25 thinking?

1 MR. PROCTOR: Well, first of all, I
2 appreciate the care and consideration that the
3 Commission gave in response to the motion to strike and
4 my argument in opposition to it. I think it is the
5 proper thing to do.

6 But as you know, I'm also a very balanced
7 and kind individual.

8 CHAIRMAN BOYER: Yes. Your reputation
9 precedes you.

10 MR. PROCTOR: And fairness is the whole
11 point here.

12 As long as Dr. Dismukes has an opportunity
13 to -- to respond to Mr. Bateson, I think that that's
14 probably appropriate under the circumstances.

15 And -- and I'd like to place the blame on
16 the Commission for having a schedule that had testimony
17 filed four days before we went to the hearing.

18 And if -- if you'll accept that, then let's
19 go forward.

20 CHAIRMAN BOYER: We'll -- we're blamed for
21 many things, but I'm not sure we'll accept it.

22 Well, let's proceed on that basis. And
23 would you like to do that at this point or in redirect?

24 MS. LARKIN BELL: I think it would be
25 preferable to do now. I think Mr. Bateson is prepared

1 now to give a short response.

2 CHAIRMAN BOYER: Why don't you proceed to do
3 that, and then we'll commence with cross-examination.
4 That would probably be the better approach.

5 DIRECT EXAMINATION (continued)

6 BY MS. LARKIN BELL:

7 Q. Mr. Bateson, I think you've just heard the
8 discussion --

9 A. Yes.

10 Q. -- with regard to that. Will you please
11 proceed with what response --

12 CHAIRMAN BOYER: Will you slide that closer?

13 Q. (BY MS. LARKIN BELL) Please proceed.

14 A. Thank you.

15 In his surrebuttal testimony, Dr. Dismukes
16 introduced Exhibit SR CCS 5.1.

17 This exhibit includes information on the
18 investment for small diameter mains and the variability
19 of the underlying data.

20 In the brief time available to review his
21 calculations, I have found some problems with them, but
22 more importantly, the exhibit does not support the
23 conclusion he reaches.

24 Dr. Dismukes believes that this analysis
25 supports his recommendation to blend commodity with the

1 small diameter plant study.

2 He states that his approach is no less cost
3 causative than the Company's approach.

4 Dr. Dismukes bases this argument on five
5 points made in his surrebuttal testimony, in an attempt
6 to justify the dilution of a well-conceived and
7 executed distribution plant study.

8 First, when asked if he was challenging the
9 development of the Company's distribution plant study,
10 Dr. Dismukes stated in direct testimony; no, I am not.

11 However, as is evident by the description
12 above, and the evidence provided by the Company, the
13 process used to develop these factors was very manual
14 and involved significant amounts of paper records,
15 creating concerns about its accuracy as well as
16 interpretation.

17 I did not respond to this in my rebuttal
18 because Dr. Dismukes said he wasn't challenging the
19 study; however, in surrebuttal he does, by raising this
20 concern anew.

21 In point of fact, the process used to
22 determine the amount of distribution plant dedicated to
23 serve individual customers of varying sizes was a very
24 involved process.

25 Some of the records required to perform this

1 analysis are only available in a form that requires a
2 significant amount of manual effort; however, the
3 Company put forth that effort.

4 In addition, there were multiple safeguards
5 in place to assure that the manual steps were
6 implemented in a consistent manner.

7 Each piece of data extracted through a
8 manual process was independently verified.

9 Every manual data entry was double-checked.

10 Therefore, Dr. Dismukes' vague concern about
11 the accuracy of the study should be disregarded.

12 Second, he assumes that because there is
13 variability in the amount of plant measured, that the
14 study will not produce accurate results.

15 The Company study explicitly recognizes that
16 investment in mains and service lines can be highly
17 variable.

18 This variability was the primary
19 consideration when the sample was designed.

20 The sample size for each meter type was
21 calculated based on the number of observations required
22 to achieve 95 percent confidence that the estimated
23 mean would be within plus or minus ten percent of the
24 actual mean investment.

25 The standard deviation of investment is the

1 most important factor in the determination of sample
2 size.

3 In addition, the Company included all of the
4 meters with capacity greater than 16,000 cubic feet per
5 hour in the study, thereby eliminating any chance for
6 sampling error for the largest meters.

7 Third, Dr. Dismukes also points out that the
8 investment in small diameter mains is positively
9 skewed. He implies that somehow this biases the study.

10 The skew in the data does not change the
11 calculation of the mean investment.

12 The mean investment is the value used in the
13 distribution plant study.

14 The Company takes account of the skew in
15 investment through the use of diversified rate design
16 elements.

17 As I noted in my direct and rebuttal
18 testimony, the Company's rate design covers
19 approximately 50 percent of the cost of small diameter
20 mains and service lines.

21 The basic service fee covers
22 approximately -- excuse me. Approximately 50 percent
23 is recovered through the basic service fees, and
24 approximately 50 percent is recovered through block
25 rates.

1 This combination addresses the skew
2 Dr. Dismukes has observed directly through rate design.

3 Fourth, he assumes that the study fails to
4 incorporate the phenomenon that higher-use customers
5 require a larger investment in distribution plant.

6 I have noted, on many occasions, that larger
7 customers require a larger investment. This
8 relationship is directly measured through the Company's
9 distribution plant study. High-use customers tend to
10 have a large physical plant. This invariably requires
11 a large piece of ground, which leads to a large
12 frontage on the street.

13 The distribution plant study measures the
14 local density of the customers on the main in the
15 immediate vicinity of the customer, thereby
16 incorporating that information.

17 Also, higher-use customers tend to be
18 connected to larger diameter mains. This is also
19 directly measured by the study.

20 High-use customer tend to have larger
21 setbacks on their property. This is directly measured
22 in the Company study through the measurement of the
23 service line length.

24 Higher -- or high-use customers invariably
25 have larger diameter service lines. This is also

1 directly measured in the Company's study.

2 Every element of the customer-related
3 distribution plant, including meter and regulator, is
4 included in a fashion that simultaneously captures the
5 customer element and the volumetric element of the
6 investment.

7 Fifth, Dr. Dismukes claims that the study is
8 flawed because the Company does not believe there is
9 any volumetric component to the small diameter mains.
10 This could not be farther from the truth.

11 In the Company study, the IHP system
12 separated into two categories. The first category has
13 a function primarily related to the delivery of
14 commodity. This category is designated as large
15 diameter mains.

16 Dr. Dismukes' observation fails to recognize
17 that the Company has identified the large diameter
18 mains as being commodity-related, which leaves the
19 second category, or small diameter mains, as the only
20 component of the IHP mains that perform a
21 customer-related function.

22 Dr. Dismukes' arguments fail to undermine
23 the validity of the distribution plant study or justify
24 his proposed dilution of the study through the use of a
25 throughput factor.

1 Q. Mr. Bateson, does this conclude your
2 response to the surrebuttal?

3 A. Yes.

4 Q. And your summary has been concluded?

5 A. Yes.

6 MS. LARKIN BELL: And Mr. Bateson is now
7 available for cross-examination.

8 CHAIRMAN BOYER: Okay. Ms. Schmid, back to
9 you.

10 MR. PROCTOR: Mr. Chairman, before we get --
11 could I ask if the Company would be willing to provide
12 us a copy of the summary?

13 I understood he read it. I -- verbatim.
14 And that would be very helpful for us, particularly
15 with regard to the last part of his presentation.

16 MS. LARKIN BELL: We would happily give you
17 a copy. I don't have a copy right now, Mr. --

18 MR. PROCTOR: No, I understand.

19 MS. LARKIN BELL: -- Proctor. We could give
20 you one during the break.

21 CHAIRMAN BOYER: Thank you for working that
22 out.

23 Ms. Schmid?

24 * * *

25 CROSS-EXAMINATION

1 BY MS. SCHMID:

2 Q. Thank you. Good afternoon. I have just a
3 few questions.

4 First, I'd like to explore the peak-day
5 factor, and how that was calculated.

6 Could you explain briefly how that was
7 calculated, per class or groups of classes?

8 A. Certainly.

9 The first step in the process was to exclude
10 the peak day attributed to classes that were not
11 included in the cost of service study.

12 Primarily, that was the FT-1 and MT classes.

13 Second step was to take the remaining
14 portion of the design peak and exclude the volume that
15 was known for the transportation service class.

16 This class contracts for a specific level of
17 peak-day tap available, and that is the limit of what
18 they can use on that day. That number was taken out
19 next.

20 The remaining quantity of the peak was then
21 spread across the general service residential, general
22 service commercial, and FS classes, based on a study of
23 their contribution to peak, based on their weather
24 sensitivity and base load. Historical use patterns.

25 Q. So for the FT-1 and the MT classes, did you

1 do that on contract demand?

2 A. It was based on what was included in the
3 peak day.

4 We knew, for -- specifically what was put in
5 for those classes, and we just took out -- what was
6 specifically put in, we took out.

7 Q. Where did the number that you put in come
8 from?

9 A. The numbers that we used were from the IRP.
10 2007 IRP.

11 Q. And those numbers came from?

12 A. From the Company's forecasts.

13 Q. Okay.

14 MS. SCHMID: Can we have just one brief
15 moment?

16 Q. (BY MS. SCHMID) We'll come back to that.

17 Let's next talk about allocating costs and
18 peak day numbers to interruptible.

19 On the Questar Gas system, is it common for
20 interruptible customers to be interrupted?

21 A. Reasonably common, in the range that I think
22 customers have a planning horizon and the Company has a
23 planning horizon.

24 Q. How does that statement that you just made
25 comport or match the Company's response and DPU data

1 request 31.7, which says that there were 75,589 DECs
2 delivered to interruptible customers on the day of the
3 system's historic peak; January 15th, 2007?

4 A. Are you referring to the day of highest
5 send-out?

6 Q. Day of highest send-out, yeah.

7 A. The temperatures on that day of highest
8 send-out were approximately 13, 15 degrees warmer than
9 the temperatures that would be expected on a design
10 day.

11 The design day has no room for interruptible
12 customers.

13 If that day of highest send-out had been 15
14 or so degrees colder, there would not have been room
15 for the interruptible customers and they would have
16 been interrupted.

17 Q. But on a practical basis, they were not,
18 because there was room?

19 A. On that fairly warm winter day that was
20 high, yes. High send-out.

21 Q. Let's talk -- we'll go -- we'll drop back.
22 Sorry about this.

23 We'll drop back to your Exhibit 8.4, page
24 one of three. If you could turn to that.

25 A. I'm there.

1 Q. Okay.

2 Regrettably, I don't have your updated one,
3 so maybe if you have that you can check.

4 What sus -- what does note, on -- what does
5 the note pertaining to line one at the bottom of the
6 page say?

7 So, the -- this exhibit is calculation of
8 peak-day factor, and then it has some notes explaining
9 where things came from.

10 Can you please read what the note pertaining
11 to line one states, into the record?

12 A. I am looking at the updated version.

13 Q. Okay.

14 A. So. That's the one I'll read.

15 Q. Okay.

16 A. Line one. Peak day responsibility, based on
17 contract demand, paren, TS, or calculated peak, paren,
18 GSR, GSC, and FS, adjusted for known class shifts.

19 Q. Okay.

20 Okay. We will leave that, and we'll jump
21 back.

22 Is it true that contract demand is
23 calculated by the last three years of use of that
24 contracted party?

25 A. Absolutely not.

1 Q. Could you explain then, please?

2 A. Contract demand is what the customer asks
3 for to have served on a peak -- or on a firm basis. It
4 is the customer's request. If capacity is available
5 for that customer, we grant that level of contract
6 demand.

7 It's a contractual arrangement between the
8 Company and the customer.

9 Q. Okay.

10 We'll shift again. Let's -- what's the
11 logic behind declining block rates for the commercial
12 customers? The GSC customers?

13 A. There are many different costs recovered in
14 the distribution non-gas portion of the block rates.

15 The vast majority of those costs are
16 recovered on a commodity basis.

17 However, customer-related costs that are
18 derived from -- primarily from the analysis of the
19 Company's distribution plant study, show that larger
20 customers, while they have a much larger investment,
21 their use that -- through that facility, winds up
22 having a much lower unit rate.

23 So a customer that is, say, a residential
24 customer, who may require an investment of -- of a
25 thousand dollars, only puts 80 decatherms a year

1 through that facility.

2 A large big-box store, which may have a ten
3 or \$15,000 investment, when they -- when you look at
4 the number of decatherms they use, it amortizes that
5 investment and the costs around that investment over
6 that much larger volume, resulting in a much lower unit
7 cost.

8 The cost curves are developed to reflect the
9 behavior of those costs over the entire range of a rate
10 schedule, and when we do that, we take into account all
11 of the information we have.

12 We design the rates to balance the up-front
13 charges, the basic service fees, with the block rates,
14 so that the rates approximately follow the cost curve
15 over the range we expect for the given rate class.

16 Q. Given the larger investment and the larger
17 quantity used, could you argue that as a matter of
18 public policy, the larger users should be provided
19 greater incentives to conserve than smaller users?

20 A. It would require perhaps me to make a value
21 judgement that somehow a smaller user is -- has got a
22 better use for that gas than a larger user.

23 In examining the general service commercial
24 class, what I found was that 43 percent of the very
25 largest users are tax-supported entities. They're

1 higher education, they're schools.

2 Q. Like us right here?

3 A. They're state -- state buildings. They are
4 water treatment facilities. They're -- they're
5 military installations.

6 I can't say that those uses, for some
7 reason, should carry a greater burden than the costs
8 that I have found they should carry.

9 And as far as conservation, every single
10 customer out there is getting the same signal when they
11 receive their bill.

12 It's high, and it is high because the gas
13 cost is 70 percent of the bill.

14 And they are getting a signal. The bigger
15 customers get a very, very significant signal.

16 I don't believe that the place to encourage
17 conservation is through the minor differences we could
18 achieve through changing the declining blocks.

19 Q. Are flat rates ever appropriate? In your
20 opinion?

21 A. The Company has proposed flat rates for the
22 GS residential class in an effort to achieve greater
23 simplicity.

24 There are some people who are starting to
25 criticize that because there are some large residential

1 customers that have a slight difference in rates, based
2 on the fact that if we were on the commercial schedules
3 they'd pay a little bit more.

4 In that case, there is a trade-off between
5 simplicity and, you know, tracking everything down to
6 the last minutia.

7 Flat rates are used for the commodity costs,
8 and I think that's appropriate.

9 Everybody who uses gas adds to those costs,
10 per decatherm, and flat rates are appropriate there.

11 If you have other specific thoughts, I'd --
12 I'd be happy -- but those two are two examples where I
13 feel flat rates are perfectly appropriate.

14 Q. If you chose to calculate flat rates for all
15 classes, what sort of changes or shifts would be
16 needed?

17 A. All classes?

18 Q. Yes.

19 A. I have not calculated that.

20 I did, in my rebuttal, calculate the effect
21 on the GSC class, of flattening the rates.

22 Q. And can you refresh our memory as to that?
23 Was that the 40 --

24 A. Let me grab that.

25 There's a question that begins at line 334

1 in my rebuttal testimony.

2 In that paragraph, in my response, I
3 indicate that the commercial rates would change by plus
4 or minus about \$0.55 if the blocks were flattened. If
5 there was just one block for all.

6 Q. How important is cost causation as a rate
7 design principal?

8 A. I believe it's -- it's very important.

9 The Company takes the role it plays in the
10 cost allocation phase of this case very seriously.

11 We look at the different facilities and the
12 different functions we perform for our customers, we
13 look at the burden the different customers place on
14 those facilities and functions, and we develop a full
15 spectrum of allocation basis that we believe fairly
16 reflects, for all classes, the burden they place on the
17 system.

18 So I would say, to my mind, the Company
19 takes the desire and the need to allocate costs fairly,
20 and -- to be a very serious responsibility.

21 Q. Could you say that a flat rate can be a
22 compromise of the cost causation conservation signal
23 that should be sent to gas users?

24 A. I would have a hard time with that, because,
25 for a cupful of additional price signal, you're opening

1 the flood gates to providing no tracking of the
2 distribution facilities to the individual customer cost
3 causation.

4 I think that would be a -- a very bad
5 direction to go.

6 Q. Okay.

7 MS. SCHMID: Thank you. That's all I have.

8 THE WITNESS: Thank you.

9 CHAIRMAN BOYER: Thank you, Ms. Schmid.
10 Then Mr. Proctor?

11 MR. PROCTOR: Thank you.

12 Mr. Chairman, I have some -- three exhibits
13 that we'll be proposing as cross-exhibits. I've, un --
14 unfortunately I didn't premark them, except to write in
15 Bateson Cross 1, 2, and 3, if that's an acceptable way
16 to mark them.

17 CHAIRMAN BOYER: That would be fine.

18 (Whereupon, Exhibits CCS Bateson Cross 1
19 through 3 were marked for identification.)

20 MR. PROCTOR: I apologize for my clumsiness
21 here.

22 There's a copy for the reporter, and I have
23 one for each of the commissioners, I hope.

24 Thank you so much.

25 And, of course, for you.

1 CHAIRMAN BOYER: Mr. Proctor, why don't
2 we -- if you don't mind me editing these, why don't we
3 call them CCS Bateson cross.

4 MR. PROCTOR: That would be -- oh,
5 absolutely.

6 CHAIRMAN BOYER: Bateson Cross 1, Bateson
7 Cross 2, Bateson Cross 3.

8 MR. PROCTOR: And I apologize for the
9 logistical problems here.

10 CHAIRMAN BOYER: I thought for a moment you
11 wanted me to accept the blame for that as well.

12 MR. PROCTOR: No, I'm going to blame
13 Mr. Orton.

14 (Whereupon, a discussion was
15 held off the record.)

16 MR. PROCTOR: Again, I apologize.

17 Mr. Ball, Mr. Gardner, would you mind if I
18 began? In the interest of time?

19 CROSS-EXAMINATION

20 BY MR. PROCTOR:

21 Q. Mr. Bateson, I've handed you three exhibits,
22 and I want to talk first about the one that begins with
23 four pages of multiple columns of numbers.

24 And this is more of an introduction to this
25 particular subject matter, of where the data came from.

1 A. Just to make sure I've got the right one, is
2 this the one you're referring to?

3 Q. That's correct.

4 And at the very top right-hand it says
5 mdr_a6_plant_alloc_factorU.xls, Plant Data.

6 Do you recognize that --

7 It's the first four pages of a 148 page
8 document.

9 Do you recognize that, sir, as the source
10 data from which your small mains distribution plant
11 factor study was done?

12 It's -- pardon me -- the sample data.

13 A. This represents the first 43 sampled
14 customers from the sample, yes.

15 Q. And -- and the data on each of those 43
16 customers goes all the way across those four pages.
17 Correct?

18 A. I see that, yes.

19 Q. I'd like you, if you would, to turn to what
20 is the fifth page on that exhibit, which would be CCS
21 Bateson Cross 1.

22 Do you have that fifth page, sir?

23 A. Is that the page where you've got red?

24 Q. Yes. And -- and I will -- I'd tell you that
25 there have been additions to that document, that we've

1 added, for clarity, and so we can reference it.

2 That's the column letters up above, A, B,
3 and C, with the calculations in red.

4 But excluding the red part, sir, would that
5 be an accurate copy of page 148 to that particular
6 sample data?

7 Sir?

8 A. Subject to check, that looks like it's a
9 correct extraction from our data request.

10 Q. Sure.

11 If you could look at column A. It's
12 entitled total Main \$.

13 Do you agree that this column is the
14 estimate of the average cost per customer for small
15 diameter mains for meter categories that was your
16 samplized plant study?

17 A. Assuming that you've included the entire
18 population of each of these meter types that appeared
19 in the sample, then yes.

20 Q. Well, this is your document.

21 A. I don't know what you've extracted -- I
22 don't know that you've extracted everything.

23 Q. If you look at the bottom, there's a note.
24 Any changes made to this file were for formatting
25 purposes only.

1 So, subject to check, would you accept --

2 A. Certainly.

3 Q. Okay.

4 And, for example, with respect to meter
5 rating 150002, there are a total of nine customers that
6 were sampled for the purpose of your plant study.
7 Correct?

8 A. Yes.

9 Q. Looking down at that particular meter
10 rating, sir, and over on column A, the total main
11 dollars, you'll see that there are a total of \$50, and
12 only four of the nine have an actual cost in them.

13 Does that indicate that the main costs for
14 that particular customer is, in fact, zero?

15 A. Yes, it is an indication of that.

16 Q. And that would be because, as Mr. Robinson
17 described, some customers are large enough that they
18 connect around mains, avoiding mains, and tie directly
19 into a feeder line. Correct?

20 A. They don't do it to avoid the mains, they do
21 it because they usually have volume requirements that
22 can only be served from the feeder system. And they
23 take service directly through the feeder system,
24 without having small diameter mains involved.

25 Q. So under the criteria of your plant study,

1 this particular customer has no main serving them
2 within 1,000 feet. Is that correct?

3 A. They have no main serving them period.

4 There may not be any main within miles of
5 that plant.

6 Q. However, though, in calculating the average
7 mains cost for those meters, you included a customer
8 who, in fact, had no mains cost.

9 So your average becomes averaging zeros.
10 Does it not?

11 A. I acknowledge that I included the zeros when
12 I calculated the average, and I believe that's
13 appropriate.

14 Q. Well, if you averaged it without zeros,
15 you'll see, on your -- on your exhibit, if you just
16 average the customers who actually have main costs, the
17 average per customer is \$8,177 rather than the \$3,634
18 when you averaged with zeros. Correct?

19 Simple math.

20 A. I see your calculations, yes.

21 Q. And the difference between those two is
22 125 percent, is it not?

23 A. I'm not sure what significance excluding the
24 zeros, what that number has.

25 So it's a calculation that you've made, and

1 you have compared two numbers. I see no validity to
2 your number.

3 And, yes, it may be 125 percent.

4 Q. Let's go to the next page of your -- of the
5 exhibit.

6 And this is marked as page five of seven to
7 QGC Exhibit 8.2U. And that's the update.

8 Do you have it, sir?

9 A. Yes.

10 Q. Down at the -- in your column B, unadjusted
11 average cost, you included there the average calculated
12 with zeros, with customers who, in fact, had no main
13 costs, for the purpose of allocation -- or your plant
14 study which allocates costs to different customer
15 groups. Did you not?

16 A. Yes.

17 Q. And so the total cost for a customer in that
18 meter rating, that you're tending to allocate is, in
19 fact, reduced by more than half, because you counted
20 somebody who doesn't even have main costs. Correct?

21 A. No.

22 Q. Simple math, sir. You averaged using zeros.

23 A. I averaged using zeros, because I was going
24 to later multiply by the full number of customers with
25 that meter.

1 Q. Well, let's go to the next exhibit. And
2 I -- it has been marked as CCS Bateson Cross 2.

3 A. I'm sorry, mine are not marked.

4 Q. I'm sorry. At the very -- it would be page
5 five of seven, QGC Exhibit 8.2U. And I want you to
6 look at the very first line.

7 A. I have two versions with that identical
8 marking.

9 Q. One has a red circle around it at 926 -- or
10 \$926.48.

11 A. Is that the one you're referring to?

12 Q. That's the one I'm referring to, yes.

13 A. Okay.

14 Q. Does that make sense to everyone? I
15 apologize again for the error.

16 All right. This is for -- this is your
17 unadjusted average cost for meter ratings of 250.
18 \$926.48. Are we all seeing the same place -- same
19 thing?

20 A. I am.

21 Q. So this would be the average of the samples
22 that you developed for the 250-meter rating class.
23 Correct?

24 A. Yes.

25 Q. Could you turn to the next page of that

1 exhibit?

2 And it's entitled Questar Gas Company
3 Distribution of Main Costs at 250-meter rating.

4 Do we have that?

5 A. I'm looking at it.

6 Q. Just bear with me here for a moment.

7 Are you familiar with a histogram,

8 Mr. Bateson?

9 A. Yes.

10 Q. And so what you're doing in that histogram
11 is looking at a number of observations measured on the
12 vertical axis, against a range of cost estimates on the
13 bottom or horizontal axis. Correct?

14 A. Yes.

15 Q. And this is a common tool in examining the
16 distribution or range of a series of estimates.

17 Correct?

18 A. Yes.

19 Q. And, in fact, your plant data is based upon
20 estimates and a sample size. Correct?

21 A. Yes.

22 Q. Did you perform any similar studies, prior
23 to preparing your direct testimony, in connection with
24 the plant study?

25 Did you prepare any histogram on the data

1 before you prepared your direct testimony?

2 A. Did I prepare a histogram? No. Did we
3 examine the data? Yes.

4 Q. In examining that data, sir, did you find
5 the outlier, on the far right, of the horizontal
6 column?

7 A. We did many manual checks of the data, and
8 one of those checks was sorting the data by different
9 characteristics.

10 And one of the characteristics was total
11 investment in main, total investment in service line,
12 total investment -- total footage.

13 So I'm confident we looked at that one, yes.

14 Q. So in connection with the 250-meter rating
15 distribution of main cost, did you or did you not deem
16 the far right column of \$4,000 plus to be an outlier?

17 A. No.

18 Q. So you didn't correct for it?

19 A. No, I did not.

20 Q. Are you familiar with statistical tests that
21 can, in fact, determine whether or not that outlier has
22 had a significant impact upon the average?

23 A. I'm not sure which statistical tests. I
24 know there are such statistical tests.

25 Q. Name some. Tell me what you would have

1 done.

2 A. We did not do any, because we included
3 everything in the sample.

4 We made no attempt to exclude anyone from
5 the sample.

6 Q. But in this case, would you agree that one
7 of your samples was an outlier?

8 A. No.

9 Q. Are you familiar with the Grubbs test for
10 examining outliers?

11 A. No.

12 Q. Are you familiar with the Dixon's Q test for
13 the examination of outliers?

14 A. No.

15 Q. So I assume, sir, if you turn to the next
16 and last page, or the next to last page of that, you
17 wouldn't really know how it is that those particular
18 tests were performed, nor would you understand what the
19 statistical tests were with respect to that outlier,
20 or, for that matter, whether it was statistically
21 relevant. You wouldn't know those things, would you,
22 sir?

23 A. No, I would not.

24 Q. Well, turn to the last page, if you would,
25 sir.

1 Down at the bottom there's a -- the source
2 for this particular document was Response to Master
3 Data Request eight point -- I think that should be
4 eight. Or, no, it's Master Data Request A.06.

5 Now, in this particular case, if you removed
6 that outlier, would you agree that the reduce -- the
7 average main cost that you have calculated for the
8 meter rating 250 is reduced by seven percent?

9 A. Subject to check, yes.

10 Q. Would you agree that over the whole range of
11 the main costs, that the outlier, the total cost, or
12 reduction in costs would be \$43 million?

13 A. If I were selectively to have excluded
14 outliers only for this one category of meter, subject
15 to check, yes.

16 Q. If you could go next to what I -- I would
17 ask you to mark as CCS Bateson Cross 3.

18 And there again, the first page of the
19 document that you have before you is page five of
20 seven. Same Exhibit 8.2U, but it's line seven, dealing
21 with the meter rating of 2000.

22 And, from your sample data, the Company
23 calculated it's unadjusted average main costs at
24 \$2,912.30. Is that correct?

25 A. Yes, it is.

1 Q. There's another histogram, next page, to
2 that exhibit. Do you see this?

3 A. Yes.

4 Q. Is there anything that would appear to you
5 to be an outlier on that histogram?

6 A. Given what I know about our distribution
7 facility, no.

8 Q. Did you perform any sort of histogram,
9 again, or something similar on meter rating 2000 prior
10 to filing your direct testimony?

11 A. No, I did not.

12 Q. Did you do any types of descriptive
13 statistics on sample averages prior to filing your
14 direct testimony?

15 A. Other than an examination of the raw data
16 and calculation of the mean, we also did look at the
17 individual components, average main size for different
18 meter ratings, average main length, average service
19 line size for different meter ratings. Average service
20 line length.

21 Aside from looking at those individual
22 components and the raw data, no, I did not.

23 Q. But the -- we know that those averages on
24 occasion have included averaging zeros, do they not?

25 A. And I believe that is correct.

1 Q. If you would, turn to the next page.

2 Questar Gas Company Observed Main Cost at
3 2000 Meter Reading, all observations.

4 Do you see the observation to the far right,
5 that is --

6 And this, by the way, comes from the
7 information on your sample data set.

8 It was \$16,757, which is 5.5 times -- or
9 excuse me, \$13,845 greater than the average of that
10 particular meter rating mains cost.

11 Do you see that?

12 A. I see that one, yes.

13 Q. Did you perform any statistical examination
14 of that outlier?

15 Assume with me for the moment that it is an
16 outlier.

17 A. I can't do that.

18 Q. Well, would you agree that the observation
19 of a \$13,000 difference between the average, which is
20 2,900, and one observation of \$16,000, is, in fact,
21 statistically significant?

22 A. No. I can't.

23 Q. We've already determined that you -- you
24 didn't apply, and don't know how to apply, apparently,
25 the Grubbs test?

1 MS. LARKIN BELL: Objection. I don't
2 believe that Mr. Bateson has at any time said he
3 doesn't know how to apply these tests, he just
4 suggested that he didn't need to apply these tests
5 because he didn't use the outlier calculation that
6 Mr. Proctor has suggesting he should have used, and he
7 has now tried to explain in his answers why that wasn't
8 appropriate.

9 Object to him saying that he didn't know
10 how.

11 MR. PROCTOR: I believe he testified that he
12 didn't know how, but I'll withdraw the question.

13 CHAIRMAN BOYER: Thank you.

14 Q. (BY MR. PROCTOR) If you could turn to the
15 next page, sir. It's the last page within that
16 exhibit.

17 Would you agree that if you, in fact,
18 removed the \$16,000 customer, if we can call them that,
19 and recalculated your average, it, in fact, would
20 result in a 12.5 percent reduction in the average
21 estimated mains cost for that meter rating?

22 A. Subject to check, yes.

23 Q. And how much money would that represent?

24 A. Again, if you only did it for this one
25 isolated meter rating, I don't know, but that would not

1 be a valid adjustment.

2 Q. Would it be many millions of dollars?

3 A. I would have to know how many meters there
4 were of the 2000-meter rating to make that calculation.
5 I don't have that readily available.

6 Apparently you may have already made that
7 calculation for me.

8 MR. PROCTOR: That's all I have. Thank you.

9 CHAIRMAN BOYER: Did you wish to admit
10 these?

11 MR. PROCTOR: Oh, yes. And I would move for
12 the admission of CCS Bateson Cross Exhibits 1, 2, and
13 3.

14 MR. DODGE: Your Honor, I'd object to that.
15 I believe he could use them as cross-ex and ask
16 questions on them, but this witness couldn't identify
17 them. Several of the calculations on them were not
18 performed by this witness.

19 This is an effort to get in sur-surrebuttall
20 exhibits through cross-examination and it's
21 inappropriate.

22 MS. LARKIN BELL: And I have the same
23 objection.

24 MR. PROCTOR: We'll withdraw them.

25 CHAIRMAN BOYER: Very well.

1 Let's -- just going along here
2 geographically, let's move to Mr. Gardner now.

3 CROSS-EXAMINATION

4 BY MR. GARDNER:

5 Q. Prior to coming here today I studied up on
6 Public Service Commission link on like BSF and CETs.

7 But after that cross-examination I've just
8 got to ask you, what's an outlier?

9 A. I think, in the context of the questions the
10 attorney was asking, an outlier would be an individual
11 sample that is so far afield from the rest of the
12 population that it should be discarded out of hand.

13 Q. Okay. I think --

14 A. In laymen's terms, not in a statistician's
15 terms.

16 Q. I think I'll leave that alone then.

17 I have a couple of questions about the
18 increase in the basic service fee. BSF?

19 A. Okay.

20 Q. And how it relates to the low income folks.

21 As I understand your thinking, in your
22 rebuttal testimony --

23 CHAIRMAN BOYER: Mr. Gardner, I know you're
24 having trouble with your voice. Would you bring that
25 mic just a little closer to you?

1 MR. GARDNER: Sure.

2 CHAIRMAN BOYER: Thank you.

3 MR. GARDNER: I apologize.

4 Q. (BY MR. GARDNER) And if I understand your
5 thinking, your rebuttal testimony goes something like
6 this.

7 You don't agree, do you, that small
8 customers, small-use customers are necessarily
9 low-income users. Is that correct?

10 A. The examinations I have done have shown that
11 the very smallest users are typically inactive
12 customers, or customers who are inactive part of the
13 year, or the entire year. And that the examinations
14 we've done in the past on what might be characterized
15 as low-income customers, they're sometimes in
16 distinguishable from other customers that have the same
17 characteristics.

18 Q. So, in general, low-use customers are those
19 with vacant houses, vacation homes. Those -- that sort
20 of thing?

21 A. The very lowest, yes. I'm familiar with
22 many low-income properties that are not low-use.

23 Q. So you don't have a concern that the
24 increase in the BSF has a disproportionate impact on
25 low-income customers, do you?

1 A. That was not a primary concern. I think the
2 Company -- and I certainly personally have compassion
3 for their plight, but that was not a major factor in
4 determining the level of the basic service fees, no.

5 Q. Is it -- is it a major factor with you
6 today?

7 A. No, it is not.

8 Q. All right.

9 Prior to giving your rebuttal testimony, did
10 you read the data responses that Questar Gas Company
11 provided to AARP?

12 A. No, I did not.

13 Q. Well, let's look at one now then.

14 Could I get the reporter to circulate
15 Exhibit AARP 1?

16 CHAIRMAN BOYER: Is this something you've
17 provided, Mr. Gardner?

18 MR. GARDNER: I've provided copies to the
19 reporter for you and the commissioners. I'll provide
20 them to the parties later.

21 There should be one for the witness.

22 CLERK: I have one.

23 (Whereupon, Exhibit No. AARP-1
24 was marked for identification.)

25 MR. GARDNER: While she's doing that I could

1 ask a couple of questions not related.

2 CHAIRMAN BOYER: Why don't you proceed. Let
3 everybody have an opportunity to see this exhibit.

4 Q. (BY MR. GARDNER) In your testimony, I
5 didn't see the word conservation either. Did I miss
6 that?

7 A. I haven't done a word search, so I can't say
8 whether or not it appeared ever in my testimony.

9 Q. But it doesn't ring any bells today?

10 A. I could look real quickly in some likely
11 locations, but if you've done that search, then I'll --

12 Q. Okay. Let's get back to this exhibit.

13 Can you identify this exhibit? AARP-1?

14 A. It's a data request that was from your
15 second round of data requests. First question. To the
16 Company. Responded to by Perry Thomas. Dated
17 June 4th, 2008.

18 Q. And that -- that would have been performed
19 under the direction of Mr. Robinson. Correct?

20 A. Mr. Robinson is responsible for coordinating
21 and supervising the entire data response.

22 Q. Does Questar Gas stipulation --

23 A. I'm not finished talking.

24 Q. I apologize.

25 A. Mr. Robinson is responsible for supervising

1 the entire process of responding to data requests, yes.

2 Q. Thank you.

3 MR. GARDNER: Will Questar stipulate that
4 this is the response to AARP Data Request 2.01?

5 MS. LARKIN BELL: Yes, I think we can do
6 that, Mr. Gardner, but I don't have a copy, and I would
7 like to see a copy before I do that.

8 MR. GARDNER: I thought we got you one.

9 Q. (BY MR. GARDNER) Okay. Would you read the
10 first question there, on the data request?

11 A. I only see one question. Do you want me to
12 read the entire question?

13 Q. Yes.

14 A. Please provide the following information for
15 each of the previous three years for Utah's residential
16 customers, broken down by; one, those who have ,and
17 two, those who have not, received energy assistance in
18 the last year from HEAT or any other source of
19 low-income assistance that the Company can identify in
20 its billing data:

21 A, average monthly bill;

22 B, average one-month peak bill;

23 C, average two-month peak bill;

24 D, bill frequency data;

25 E, billing units for the test year.

1 MR. GARDNER: Move for the admission of
2 Exhibit AARP-1.

3 CHAIRMAN BOYER: Are there any objections to
4 the admission of that?

5 MS. LARKIN BELL: No objection.

6 MR. PROCTOR: No.

7 CHAIRMAN BOYER: Very well. Exhibit AARP-1
8 is admitted into evidence.

9 (Whereupon, Exhibit No. AARP-1
10 was admitted.)

11 Q. (BY MR. GARDNER) What's your understanding
12 of what a HEAT customer is?

13 A. Having not worked directly with the program,
14 it's going to be a very generalized understanding.

15 My understanding of the HEAT program is that
16 it's a program put in place to offer energy assistance
17 to certain low-income applicants.

18 Q. Okay. And isn't it correct that the
19 response there shows that those who receive heat
20 assistance have lower average monthly bills than other
21 residential customers?

22 A. Yes, it does show that.

23 Q. For all three years, doesn't it?

24 A. For the three metrics that you asked for,
25 yes.

1 Q. At 2005, 2006, 2007.

2 A. Oh, okay. So you're just talking about A.

3 Q. Yeah.

4 A. Yes.

5 Q. That also shows they have a lower peak
6 demand, don't they? Lower peak bills?

7 A. Yes, it does.

8 Q. And they also have lower average bills when
9 you use a two-month average too, don't they?

10 A. Yes.

11 Q. Okay.

12 Do you still, as you sit there today, think
13 that low-income customers don't use less gas than the
14 average residential customer?

15 A. I don't believe I said that they don't use
16 less gas. I said that the lowest use customers are not
17 typically low-income.

18 Q. Okay. Do you agree, then, that lower --
19 low-income gas users do use less gas than your normal
20 run-of-the-mill average -- how many ways can I say
21 it -- residential customer?

22 A. I think this evidence shows that the parties
23 who apply for HEAT assistance are lower than average
24 residential, yes.

25 Q. Okay.

1 Just a couple of more questions.

2 You're not saying, are you, that an
3 inclining block rate schedule doesn't encourage
4 conservation of gas more than a declining block
5 schedule, are you?

6 A. There is no inclining block rate before this
7 Commission for me to compare to, so that is such a
8 loosely-worded question I can't answer that.

9 Q. Well, you understand what an inclining block
10 rate is?

11 A. There's none before this Commission.

12 Q. But you understand what an inclining block
13 rate is, don't you?

14 A. Certainly I do.

15 Q. What is it?

16 A. It's a rate where the price per unit
17 increases as the usage goes up.

18 Q. And have you done any studies to determine
19 whether such a rate schedule encourages conservation?

20 A. I've done no specific studies.

21 Q. Are you claiming that a declining block rate
22 schedule, though, creates the same incentive for
23 conservation as a flat-rate schedule?

24 A. I've never said that it is the same, no.

25 MR. GARDNER: Thank you.

1 CHAIRMAN BOYER: Thank you, Mr. Gardner.

2 Mr. Dodge?

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

4 CROSS EXAMINATION

5 BY MR. DODGE:

6 Q. Mr. Bateson, to be clear about one thing.

7 At the beginning of your testimony you corrected -- or
8 you indicated that Mr. Dismukes made a correction in
9 his surrebuttal, and that you withdrew basically a
10 comment based on a misunderstanding of the throughput
11 factor he used. But I want to make sure I understand.

12 Does that in any way change your view that
13 it was inappropriate for Mr. Dismukes to add further
14 commodity-based allocators to the -- to those costs
15 allocated through the distribution plat factor?

16 A. No, it did not lessen my opposition to using
17 a commodity allocation to allocate small diameter
18 mains. It did lessen a technical aspect of my
19 objection, but the overall objection is still in place.

20 There is no place for a commodity allocation
21 in a small diameter main factor.

22 Q. With respect to the question of peak day
23 versus design day, to your knowledge has the Company
24 ever used, or the Commission ever directed that Questar
25 Gas Company use anything but the design day in

1 allocating capacity costs?

2 A. In terms of calculating the peak-day
3 component, the answer is no. We've always, to my
4 knowledge, used the contribution to the design peak.

5 Q. What about allocation of capacity costs to
6 interruptible customers? To your knowledge has the
7 Company ever done that?

8 A. Through the blending of the peak-day factor
9 and commodity factors in allocating the costs
10 associated with facilities that have a shared
11 responsibility it happens, but it's -- it's based on
12 that blending, not based on the peak factor, no.

13 Q. Right.

14 And no one suggested that that blending not
15 take place at some level. Correct?

16 A. No one has suggested to go to 100 percent
17 peak in this case, no.

18 Q. And to be clear, we're now talking about the
19 large diameter mains, where there is -- where I believe
20 your -- and related facilities. Is that right?

21 A. No, there's -- there's a little nomenclature
22 problem that I noticed in Dr. Dismukes' testimony and
23 in his surrebuttal.

24 He -- he was speaking from the context of
25 feeder lines, but he used the term large diameter

1 mains. I believe that he meant feeder lines.

2 So feeder lines are the facilities that we
3 allocate on a blended basis. Large diameter mains are
4 the portion of the IHP system that the Company has
5 identified as being 100 percent commodity related, and
6 we allocate those on the distribution throughput.

7 Q. Okay. Thank you for that clarification.

8 MR. DODGE: Thank you. I have no further
9 questions.

10 CHAIRMAN BOYER: Thank you, Mr. Dodge.

11 Mr. Ball, have you any questions for
12 Mr. Bateson?

13 MR. BALL: No, thank you, Mr. Chairman.

14 CHAIRMAN BOYER: Let's turn now to the
15 commissioners.

16 Commissioner Allen?

17 Commission Campbell?

18 And now Commissioner Boyer.

19 Redirect?

20 MS. LARKIN BELL: May I have just a minute?

21 CHAIRMAN BOYER: Certainly.

22 CROSS-EXAMINATION

23 BY MS. LARKIN BELL:

24 Q. Mr. Bateson, you were asked some questions,
25 I believe by Mr. Proctor, with regard to why there were

1 zeros included in your analysis, and whether or not you
2 should have included zeros in the average. Can you
3 address that, please?

4 A. Certainly.

5 The purpose of the calculation he was
6 referring to is to establish the average value found
7 over the sample. That average is then applied against
8 the population, which, in many cases, is not the same
9 as the sample.

10 I think the 16,000 and larger
11 cubic-foot-per-hour meters, it would appear that it
12 sometimes is the same as the population, but we have
13 had growth in those categories of meters since the
14 sample was drawn.

15 In the smaller meters, invariably we have
16 had growth since that sample was drawn, and the number
17 of individuals that we sampled and the average we
18 calculated is then applied against the population of
19 that meter that we find today, that is compared -- that
20 is consistent with the test year.

21 To put zeros in the calculation brings the
22 mean to equal the actual average of the sample
23 customers, and that is the proper multiplier against
24 the population statistics, if you want to determine
25 what the investment for the class is for that

1 particular meter type.

2 So exclude the zeros would inflate, and in
3 the case of some of the examples offered, would have
4 inflated it substantially.

5 And then, to take that inflated average and
6 multiply it times the population number of meters,
7 would inflate the investment that got assigned to those
8 classes.

9 Q. Thank you.

10 With regard to the questions you were asked
11 with regard to -- and I think you were asked to assume
12 that, on certain columns of an exhibit that we're not
13 using now, there were outliers. And you were asked by
14 Mr. Gardner what your definition of an outlier was.

15 I'm going to ask you, why is the outlier --
16 I mean, if I understand your analysis correctly, an
17 outlier wasn't necessary for your analysis.

18 Explain why it -- you used all of -- all of
19 the samples and an outlier was not part of your
20 analysis.

21 A. We based our analysis on a sample design
22 that was fairly conservatively constructed in terms of
23 the confidence that we had that it -- that the mean
24 would be plus or minus.

25 Based on that sample design, we had nothing

1 in our protocol to throw out what may or may not appear
2 to have been an extreme value.

3 Q. One final question.

4 You've been asked quite a bit about flat
5 rates, and whether or not flat rates -- whether you did
6 the analysis for flat rates. I believe you answered
7 yes, you did the analysis for flat rates for GSR.

8 And I think you were also -- and GSC.

9 And I think you were also asked about, Well,
10 did you do flat rate calculations for other classes.
11 Can you explain why you didn't, and why it doesn't
12 do -- it doesn't defeat the energy efficiency purpose
13 of our goals?

14 A. Yes. Again, it's for the same reasons that
15 I outlined previously.

16 This small amount of difference in block
17 rates for industrial customers will not send a
18 meaningful additional signal to those customers. They
19 are facing the same high energy prices that residential
20 and commercial customers are facing when they go out
21 and purchase gas. They have ample incentive to save
22 the commodity.

23 The commodity is what is truly saved when a
24 customer conserves.

25 The costs that are reflected in the

1 distribution non-gas rates that are the basis for the
2 small declining block differences you see in the
3 industrial classes do not vary when a customer reduces
4 usage.

5 MS. LARKIN BELL: Thank you. That's all I
6 have.

7 CHAIRMAN BOYER: I'm going to exercise my
8 prerogative to ask a couple of more questions. You can
9 redirect if you need to, Ms. Bell.

10 EXAMINATION

11 BY CHAIRMAN BOYER:

12 Q. Mr. Bateson, are you responsible for
13 designing these surveys? And conducting the sampling?
14 Are you involved in that process?

15 A. Yes. With he -- we retained a consultant to
16 help us with the sample design. I was responsible for
17 drawing the sample and supervising the extraction of
18 the measurements and the building up of the entire
19 allocation base from beginning to end.

20 Q. In that sample design, what percentage of
21 the population did you sample?

22 A. At the time, for meters of 16,000 and above,
23 100 percent of the population.

24 Q. Okay.

25 A. It was a census.

1 Q. Okay.

2 A. For the smaller meters, it varied depending
3 on what the standard deviation that we had seen in
4 prior studies of the measured investment.

5 This is not the first time we've done this
6 study. There were a couple in the early '80s. The
7 Company has done three or four updates, two or three
8 updates since then.

9 We looked at the results from those studies,
10 and looked at the variability of the data in those
11 studies to establish the sample size.

12 For the general -- or for the 250, it would
13 be a very, very, very small percentage.

14 There's hundreds of thousands of meters of
15 that size.

16 Q. Yes.

17 And what did you do to assure the randomness
18 of the selection of the sampled?

19 A. We did a couple of things.

20 When we drew the sample, we used a -- a
21 methodology that ordered the customers according to
22 what is essentially already a random number. And that
23 was their -- I believe it was their premise number.

24 And then we took every Nth customer in that
25 random list.

1 After we drew the sample, we examined the
2 geographic dispersion of those customers. We examined
3 the rate class that those meters are served under. We
4 examined residential versus commercial. We -- we --
5 and we found that, indeed, there was a -- in most
6 cases, a fairly good spread, geographically and across
7 rate classes.

8 In a couple of cases we increased the sample
9 size because there were not enough, say, commercial
10 customers or residential customers in a given strata.

11 CHAIRMAN BOYER: Okay. Thank you.

12 Do you have any redirect, Ms. Bell?

13 MS. LARKIN BELL: No, I don't.

14 CHAIRMAN BOYER: Very well. Thank you.

15 Mr. Bateson, you may step down.

16 THE WITNESS: Thank you.

17 CHAIRMAN BOYER: Ms. Bell, I think it would
18 be our intention to -- to begin with your next witness
19 and see if we can get the summary into the record and
20 then take a ten-minute recess. Would that be all
21 right?

22 MS. LARKIN BELL: That would be fine. With
23 that --

24 CHAIRMAN BOYER: Are you okay recorder?

25 MS. LARKIN BELL: With that I would like to

1 call Mr. Brent Bakker.

2 CHAIRMAN BOYER: Would you please raise your
3 right hand?

4 BRENT A. BAKKER,
5 having first been duly sworn, was examined and testified
6 as follows:

7 CHAIRMAN BOYER: Please be seated.

8 DIRECT EXAMINATION

9 BY MS. LARKIN BELL:

10 Q. Good afternoon, Mr. Bakker.

11 A. Good afternoon.

12 Q. Would you please state your full name for
13 the record?

14 A. Brent A. Bakker.

15 Q. And by whom are you employed?

16 A. Questar Gas Company.

17 Q. What is your title at Questar Gas Company?

18 A. Gas acquisition representative.

19 Q. And how long have you been employed at
20 Questar Gas Company?

21 A. Nearly 21 years.

22 Q. Did you file direct testimony, pre-marked as
23 Direct Testimony Brent A. Bakker, QGC Exhibit 9.0 with
24 five exhibits attached; and rebuttal testimony,
25 pre-marked as Rebuttal Testimony of Brent A Bakker, QGC

1 Exhibit 9.0R; with one exhibit in this docket?

2 A. Yes, I did.

3 Q. And if you were asked the same questions
4 today that are in your testimony, would your answers or
5 responses be the same?

6 A. Yes, they would.

7 MS. LARKIN BELL: I would move to admit --
8 for admission of Mr. Bakker's direct testimony and
9 rebuttal testimony filed in this docket.

10 CHAIRMAN BOYER: Are there objections to the
11 admission of Mr. Bakker's direct and rebuttal testimony
12 in this case?

13 MR. PROCTOR: No objection.

14 MS. SCHMID: None.

15 MR. DODGE: None.

16 CHAIRMAN BOYER: Very well. Mr. Bakker's
17 direct testimony and rebuttal testimony are admitted
18 into evidence, together with their exhibits.

19 (Whereupon, Bakker's Direct Testimony,
20 Rebuttal Testimony, and Exhibits
21 were received.)

22 Q. (BY MS. LARKIN BELL) Mr. Bakker, have you
23 prepared a summary of your filed testimony?

24 A. Yes, I have.

25 Q. Would you please proceed with that?

1 A. Sure.

2 My testimony describes proposed changes to
3 the Company's Utah Natural Gas Tariff PSCU 400,
4 hereinafter referred to as the "tariff," that reflect
5 the Company's proposed changes discussed in my
6 testimony, and the testimony of other Company
7 witnesses.

8 Exhibits to my testimony include proposed
9 tariff sheets in both legislative and proposed formats.

10 In addition to substantive tariff changes,
11 minor changes have been proposed to clean up and
12 clarify existing language.

13 My testimony specifically addresses proposed
14 changes related to residential security deposits, and
15 after-hours reconnection fee, gas purchases from
16 interruptible transportation customers during
17 interruptions, monthly transportation in balance
18 cash-outs, weather zones, calculation of normal
19 weather, customer obligations regarding Company
20 rights-of-way, and natural gas vehicle equipment
21 leasing.

22 I will now very briefly address each of
23 these changes.

24 First the Company proposes to collect, from
25 new customers, security deposits equal to the highest

1 monthly charge over the last 12-month period at the
2 premise for which the customer is requesting service.

3 The Company also proposes to increase the
4 required security deposit to two times the highest
5 monthly bill for existing customers who have
6 demonstrated poor credit.

7 The Company believes these changes will
8 further reduce the Company's bad debt expense.

9 Second, the Company is allowed to charge an
10 after-hours service reconnection fee in compliance with
11 Commission Rule R746-2006(B).

12 The Company initially proposed a \$100 fee to
13 be associated with this service, and the Company agrees
14 with the Division's proposal to increase this fee for
15 \$150.

16 Third, the Company proposes to change the
17 way in which volumes required for purchase from the
18 interruptible transportation customers during periods
19 of interruption are calculated.

20 The Company proposes to use the average of
21 the three most recently confirmed gas-day nominations
22 to calculate the required volumes.

23 Regarding transportation service, the
24 Company has also proposed two changes to the imbalance
25 cash-out provisions, namely one; defining a

1 "transportation market index price" to be used in the
2 calculation of imbalance cash-outs, using prices that
3 are associated with different locations at which the
4 customers' supplies are delivered into the Company's
5 distribution system;

6 And two, clarification of which months apply
7 to the determination of the price associated with
8 monthly imbalance cash-outs. Tina Faust, the Company's
9 manager of gas supply, filed rebuttal testimony
10 regarding these changes, and is available today to
11 address these issues.

12 Fourth, the Company proposes changes to its
13 weather zones and the calculation of normal weather to
14 which there were no objections to other parties.

15 Fifth, the Company proposes changes to the
16 customers' obligations regarding Company rights-of-way.

17 No party has objected to these changes
18 found in the existing Section 7.04 and the proposed
19 Section 7.05; however, the Committee of Consumer
20 Services has recommended that another section in
21 Article 7, specifically 7.02, which is titled Liability
22 and Legal Remedies, be Deleted from the Tariff.

23 Section 7.02 has been part of the Company's
24 tariff for at least 30 years. I believe that this
25 provision properly places responsibility and risk upon

1 customers for the facilities that they own and
2 maintain; however, I'm not an attorney, and defer
3 issues related to the -- to interpretation of the
4 provision and as to the legality to the Company's
5 attorneys.

6 Lastly, the Company proposes to delete
7 tariff provisions regarding natural gas vehicle
8 equipment leases. No party has objected. This change
9 does not affect NGV rate schedules. Mr. Robinson
10 discusses changes to the NGV rate schedule in his
11 testimony that are reflected in the tariff changes
12 attached to my testimony.

13 Q. Does that conclude your summary, Mr. Bakker?

14 A. Yes, it does.

15 MS. LARKIN BELL: Mr. Bakker is now
16 available for cross-examination.

17 CHAIRMAN BOYER: Okay. Thank you,
18 Mr. Bakker.

19 We'll now take a ten-minute recess, and then
20 we'll commence with cross-examination at that time.

21 (Whereupon, a break was taken.)

22 CHAIRMAN BOYER: Okay. Let's go back on the
23 record.

24 And we'll begin cross-examination with
25 Ms. Schmid.

1 CROSS-EXAMINATION

2 BY MS. SCHMID:

3 Q. Good afternoon, Mr. Bakker.

4 A. Good afternoon.

5 Q. If I'm a new customer with Questar, I have
6 no credit history with Questar. Correct?

7 A. That's correct.

8 Q. Rhetorical question, but we'll start there.

9 So you are requiring a different deposit for
10 a new residential customer than you are for a
11 poor-paying residential customer?

12 A. We're proposing a security deposit equal to
13 one times for a new customer, and proposing a deposit
14 equal to two times the highest monthly bill for a
15 poor-credit customer.

16 Q. But at the time when I'm a new customer, you
17 don't know whether I'm going to be a poor-paying
18 customer or not. Is that correct?

19 A. That is correct.

20 Q. Although, as you mentioned, the certain
21 tariff changes were not addressed much by the parties,
22 I think that a couple of them should be brought to the
23 Commission's attention.

24 So if you could turn to the proposed sheet
25 76, page 76, which is proposed 7.05 right-of-way and

1 environmental issues.

2 A. Okay.

3 Q. Could you briefly describe the main points
4 of this tariff provision?

5 A. Sure.

6 The proposed Section 7.05 replaces a, albeit
7 long sentence but a short paragraph, in 7.04.

8 May I read that?

9 Q. Please.

10 A. That says Right-Of-Way. The customer will
11 make available or procure satisfactory conveyance to
12 the Company of a right-of-way for the Company's pipes
13 and apparatus across and upon the property owned and
14 controlled by the customer necessary or incidental to
15 the furnishing of service.

16 7.05, as proposed, goes well beyond a single
17 sentence, and is meant to address unacceptable
18 encroachments or the presence of hazardous materials in
19 those rights of way.

20 Q. And some of these issues present safety
21 concerns for pipeline workers?

22 A. Absolutely. And not just the workers, but
23 others that might be in that area; namely customers,
24 non-customers.

25 Q. And particularly with tree roots, could you

1 take just one moment and tell us what tree roots do to
2 pipelines?

3 A. Deep-rooted trees could affect the piping
4 that's in the ground in the fact that they would
5 disturb the material that surrounds it, and possibly
6 even disturb the pipes themselves.

7 Q. Would this proposed 7.05 apply to new
8 customers only, or would it also apply in some
9 instances to existing customers?

10 A. I believe they would apply to all of our
11 customers. And these are issues that we have
12 addressed. These issues have become -- have come more
13 to the forefront with the growth in the service
14 territory.

15 We're encountering, it seems, more
16 encroachments on our rights of ways. We're seeing more
17 requests for our facilities to be installed where there
18 may -- there are or may be hazardous materials.

19 And due to the more frequent occurrence of
20 these situations, we felt that it was timely to update
21 this, and to be a little more specific about what was
22 already in the tariff.

23 Q. Thank you.

24 MS. SCHMID: Those are all my questions.

25 CHAIRMAN BOYER: Thank you, Ms. Schmid.

1 Mr. Proctor?

2 MR. PROCTOR: Thank you.

3 CROSS-EXAMINATION

4 BY MR. PROCTOR:

5 Q. Mr. Baker --

6 A. Bakker.

7 Q. Bakker? Apologize.

8 A. That's okay.

9 Q. On this -- on the deposits for a new
10 customer. Is it based upon a -- the highest month at
11 the residence address, or the highest month that that
12 customer may have incurred somewhere else?

13 A. At the residence for which the customer is
14 applying for service.

15 Q. So if, for example, I were to apply for
16 service at what was formerly a meth lab, where they
17 were using large quantities of gas and leaving the
18 windows open during the day, I would still pay based
19 upon that gas use?

20 A. Potentially.

21 Q. Is there a way, within your tariff, for a
22 customer to challenge the amount of that one-month
23 highest use?

24 A. I can not think of something specific in the
25 tariff; however, I have, throughout my career, worked

1 with customers directly, setting up their accounts.
2 This was a little bit earlier on in my 21 years, and I
3 would consider any information that they would give me.

4 We're just trying to come up with a fair --
5 fair security deposit amount.

6 So, depending on the information provided,
7 that can be adjusted.

8 Q. And wouldn't that make sense, to have a
9 tariff provision that tells the customer, and Questar,
10 in those cases, you need to work with one another and
11 provide information? One, the Company has to listen to
12 it, and two, the customer has the right to submit it.
13 Wouldn't that make sense?

14 A. I think it makes sense.

15 Q. Okay.

16 One more area of questioning. And this is
17 in regard to your tariff 7.02, Liability and Legal
18 Remedies. And Mr. Orton, in his testimony, had raised
19 the issue and you addressed it.

20 And I understand the limitations that both
21 Mr. Orton and yourself have, and maybe the benefit, of
22 not being a lawyer.

23 But these are not lawyers questions.

24 A. Okay.

25 Q. To your knowledge, has Questar ever enforced

1 the -- in particular the second paragraph provision to
2 the liability tariff?

3 A. Are you -- excuse me.

4 Q. I'm referring to the customer
5 indemnification, hold harmless, and defending the
6 Company against all claims. That provision. To your
7 knowledge, has the Company ever enforced it?

8 I'm looking at page 7.2 of Questar Gas
9 Company's --

10 A. Okay, I apologize. I have the tariff as I
11 submitted it. That was not a page that had any
12 changes.

13 So let me pull out my full tariff and get to
14 that location.

15 Q. And, no, this is -- I got this right off the
16 Web site, so.

17 A. That's great. And I'd just like it in front
18 of me too.

19 Q. Oh, all right.

20 A. Thank you.

21 I have no specific knowledge to that. I
22 believe that the Company probably has. But I can not
23 speak to any specific circumstances.

24 Q. Do you know who, within the Company, would
25 have that knowledge?

1 MS. LARKIN BELL: Excuse me just for a
2 minute.

3 Mr. Proctor, could you restate your question
4 for me? I actually didn't follow it. So I could --

5 MR. PROCTOR: I'd be glad to ask you the
6 question, Ms. Bell.

7 MS. LARKIN BELL: Not ask me, restate it for
8 me, please.

9 MR. PROCTOR: Has the Company ever enforced
10 that particular provision calling for indemnification
11 and hold harmless in defense?

12 And this witness isn't familiar with any
13 instance, and my question was, is there someone else in
14 the Company, that he's aware of, who would know.

15 THE WITNESS: I believe that the parties
16 that would have the most intimate knowledge of that
17 situation, since this does address a legal aspect of
18 our business, would be our staff in the legal
19 department.

20 I also believe that there could be -- there
21 would be others that would be involved in a situation,
22 perhaps like at a higher level; operations management,
23 perhaps some customer service representatives. But I
24 really can't specify an individual.

25 I believe the legal department would be the

1 best folks to talk to.

2 Q. (BY MR. PROCTOR) In preparation of your
3 testimony today -- or in your pre-filed testimony,
4 pardon me, did you have any conversations or
5 communications within the Company about this tariff,
6 and whether or not it should be perhaps loosened, or --
7 a better way to put it, rewritten?

8 MS. LARKIN BELL: Excuse me, Mr. Bakker.

9 Before you answer, to the extent that
10 Mr. Proctor is asking about maybe a privileged
11 conversation, I would object. Certainly if it was in a
12 conversation --

13 MR. PROCTOR: Oh, don't -- with -- other
14 than your conversations with attorneys.

15 Q. (BY MR. PROCTOR) Any other conversations
16 that you may have had, or communications that you may
17 have been aware of, within the Company, except for the
18 legal -- lawyers, that perhaps this particular
19 provision should be rewritten? Made somewhat less
20 extreme or onerous?

21 A. The conversations that I did have were with
22 attorneys.

23 Q. And no one else?

24 A. Not that I can recall.

25 Q. Okay.

1 MR. PROCTOR: Thank you very much.

2 That's all.

3 CHAIRMAN BOYER: Thank you, Mr. Proctor.

4 Mr. Gardner, any questions for Mr. Bakker?

5 MR. GARDNER: Just a few.

6 CROSS-EXAMINATION

7 BY MR. GARDNER:

8 Q. Prior to giving your testimony today, have
9 you examined the exhibits filed by Questar Gas Company?

10 A. In large part.

11 Q. Did you read Exhibit 6.3U?

12 A. That would be an exhibit attached to
13 Mr. Robinson's testimony?

14 Q. I believe so.

15 A. I don't know that I've seen that, but we
16 could look at it and I'll tell you for sure.

17 Q. Well, then to be fair, why don't I just ask
18 you if you agree or disagree with the question.

19 Do you agree that the proposed security
20 deposit charge would only reduce the uncollected debt
21 by .08 percent?

22 A. I have seen that exhibit. I know that that
23 is the reduction from .58 to .5. So that's the
24 difference attributable to that.

25 Q. .08 percent. Right? 800ths of a percent?

1 A. I can believe that.

2 Q. It's not much, is it?

3 A. In terms of a percent, maybe not. Perhaps
4 in dollars it is.

5 Q. And on the amount, it's 180,000. Isn't it?

6 A. That could be. Without it being in front of
7 me, I -- I can accept that.

8 Q. So .08 percent of \$180,000 isn't much, is
9 it?

10 A. Sounds like a subjective question. It may
11 be, to some.

12 Q. To you?

13 A. To me, no. Not -- not significantly. So.

14 Q. Do you think Questar has provided the
15 Commission --

16 Okay. Supposed to be eight-tenths percent
17 of the total amount. I apologize.

18 A. Okay.

19 Q. That's why I have my expert witness keep me
20 on the straight and narrow.

21 MS. LARKIN BELL: Mr. Gardner, can you tell
22 us what the total amount is? I guess I wasn't
23 following.

24 MR. GARDNER: I thought it was \$180,000.

25 MS. LARKIN BELL: Is the total amount of?

1 MR. GARDNER: Of the amount you're going
2 to -- eight percent of it. .08 percent of \$180,000 is
3 what they expect to recover.

4 MS. LARKIN BELL: And, I'm sorry, where is
5 this?

6 MR. GARDNER: Okay, Charles, what are we
7 doing here?

8 THE WITNESS: \$180,000 is the .08 percent.

9 MR. GARDNER: Oh, so we're going to save
10 \$180,000. I'm so glad.

11 Q. (BY MR. GARDNER) Do you think Questar has
12 provided the Commission evidence that Questar's
13 collectibles have been reduced by its previous efforts
14 to reduce uncollectibles?

15 A. Anecdotally, perhaps. Difficult to quantify
16 it.

17 Q. Will you agree to -- you agree, don't you,
18 that in that asking for the security deposit, Questar
19 used a three-year average? On collectibles? Don't
20 you?

21 A. Could you repeat the question?

22 Q. Okay.

23 In seeking a security deposit, what Questar
24 provided was a three-year average of its
25 uncollectibles. Right?

1 A. Yes, I believe so.

2 Q. Okay. It didn't plot it out like on a
3 sliding scale to show costs and progress, did it?

4 A. I'm not aware of any such exhibits, or
5 information presented that way.

6 Q. Do you agree that the amount of monthly
7 uncollectibles and arrearages correlate with the amount
8 of the billings?

9 That is the higher the billings, the more
10 the uncollectibles?

11 A. I believe that is a very strong driver.

12 Q. So it's fair to say, isn't it, that people
13 who cause the uncollectibles, can't pay their bills in
14 the first place?

15 A. Predominantly I think that's true.

16 Q. So don't you think increasing security
17 deposits on low-income customers increases the
18 likelihood of payment problems and higher uncollectible
19 amounts?

20 A. In some instances, that may be the more
21 problematic.

22 Q. Now, as it currently exists, the
23 ratepayer -- the general ratepayers pick up the burden
24 of the uncollectibles, don't they?

25 A. That is true.

1 Q. But under Questar's proposal, we're shifting
2 more of that burden to low -- to customers with poor
3 credit, but who do pay. Right?

4 A. I wouldn't make that distinguish --
5 distinguishing element. I would simply say more of the
6 burden from its new customers and its poor credit
7 customers.

8 Q. Well, let me walk you through it.

9 A. Okay.

10 Q. You proposed to double the security deposit
11 for customers with poor credit. Right?

12 A. That's correct.

13 Q. You're doing that to cover the costs of
14 uncollectibles. Right?

15 A. Potential uncollectibles.

16 Q. That's the theory of it, right?

17 A. That's correct.

18 Q. Okay. So customers with poor credit, but
19 who do pay, are going to pick up more of the burden for
20 covering the uncollectibles than they currently do.
21 Right?

22 A. If they pay a security deposit of two times,
23 there will be an increased burden, yes.

24 Q. And the same is true for new customers,
25 isn't there?

1 There's going to be an increased burden for
2 new customers.

3 A. Yes.

4 Q. And you're increasing the burden upon
5 customers who pay.

6 A. Yes.

7 Q. Okay. Don't you think there should be an
8 allowance for the after-hours reconnection fee for
9 health and safety reasons?

10 A. I don't object to that at all.

11 Q. You think there should be one then, right?

12 A. Not necessarily.

13 Q. Are you neutral?

14 A. Fairly neutral. Yes.

15 I believe that the charge that we outlined
16 is -- is based upon the reasonable costs that will be
17 incurred to provide the service. And I believe that
18 that charge should be associated with the reconnection
19 of service.

20 Q. Don't you think the charge should also have
21 an allowance for health safety reasons?

22 Don't you think that concerns for health and
23 safety override for just having a uniform after
24 connection fee? After-hours connection fee?

25 A. I'm not so neutral on that. I like that.

1 Q. You like that?

2 A. I -- yeah.

3 Q. Okay. I like that too. We'll end there.

4 Thank you.

5 CHAIRMAN BOYER: Thank you, Mr. Gardner.

6 Mr. Dodge?

7 MR. DODGE: No questions.

8 CHAIRMAN BOYER: Mr. Ball?

9 MR. BALL: Nothing. Thank you, chairman.

10 CHAIRMAN BOYER: Very well. Commissioner

11 Allen?

12 COMMISSIONER ALLEN: Thank you Mr. Chairman.

13 I have a couple of questions for you.

14 EXAMINATION

15 BY COMMISSIONER ALLEN:

16 Q. Mr. Bakker, so I am assuming, then, if you

17 look at the highest -- proposal for the highest, that

18 equal billing is out of the equation.

19 If you're going to look at the highest,

20 typically a winter bill for the deposit?

21 A. That's correct.

22 Q. And did I understand that this -- that this

23 is a -- this is a may, not a shall situation?

24 The customer service representative could

25 make an adjustment, say if someone were to show up with

1 a fair credit score that could match their ID, or if
2 she showed you a year's worth of out-of-state
3 statements, some sort of proof that they do pay their
4 bills on time they just haven't been in our system,
5 would someone be allowed to make an adjustment to that
6 deposit?

7 A. I don't know that currently we operate in
8 that fashion consistently.

9 I know from my own experience, years past,
10 that I would attempt to make some consideration for
11 additional information that can be provided, and I
12 would hope that we would be able to stick to similar
13 situations, similar information.

14 Q. But you don't necessarily have a standing
15 policy that says if someone can prove reliable credit,
16 they can be made an exception. You don't have anything
17 in your policy manual?

18 A. At this point, we only charge it for our
19 poor credit customers, since we're not doing it with
20 our new customers.

21 So those customers, obviously, even if they
22 could show good credit outside the Company, we're more
23 concerned with their payment habits with the Company.
24 So currently, no. I don't think we're looking to do
25 that.

1 Q. So that would probably be the same situation
2 that if someone were an outlier, since that's what --
3 we're going to use that phrase today. So if someone
4 came in and said, Yeah, I see that this pre -- prior
5 residence has a fairly high bill for the previous
6 12 months. They had a couple of high months that --
7 they had a really high month, but they could look at it
8 and say, This is completely outrageous to what most
9 people pay for gas, so they must have opened all the
10 windows, turned the furnace on and left town. Is
11 somebody going to be able to make an adjustment for
12 that kind of an outlier?

13 A. I think potentially. I think there would be
14 more information that would be needed to be provided,
15 not just stating that that -- someone must have left
16 the windows open.

17 COMMISSIONER ALLEN: Okay, great. Thanks.

18 CHAIRMAN BOYER: Just one or two questions,
19 regarding the security deposits, Mr. Bakker.

20 EXAMINATION

21 BY CHAIRMAN BOYER:

22 Q. In coming up with the proposal, specifically
23 for double security deposits for potential customers,
24 or existing customers with poor credits, did the
25 Company look to experience of other GDCs to find out if

1 such a program is effective?

2 A. Not specifically. I have researched what
3 other companies have in place in terms of policies.
4 There is not anything that is real consistent.

5 I've seen some that do two times the
6 average, two times the highest. I've even come across
7 one that charged more of a deposit if you lived in a
8 mobilehome.

9 So they can vary widely. And the basis for
10 our recommendations is what we have experienced within
11 our Company, with our customers, in terms of the level
12 of uncollectibles that -- and this is provided in my
13 direct testimony, what the average uncollectible is,
14 for certain types of customers.

15 And we looked at what the average high bill
16 was in those situations. Doubled it, and found that it
17 came close, or at least moved in the right direction to
18 covering some of the risk of uncollectibles associated
19 with a particular type of customer, specifically
20 someone who resides in a -- in a home which classified
21 as a single dwelling. Someone else, who resides in an
22 apartment, where -- multi-dwelling, typically smaller
23 square footage, less usage. And we also looked at
24 mobilehomes.

25 So in large part, it's the basis of our

1 experience over many years, and looking at what we're
2 allowed to collect versus what uncollectibles have
3 been, and seeing that there is a huge disparity between
4 those two numbers.

5 Q. Is that partially because you have a fund
6 against which you can draw if the customer becomes in
7 arrears?

8 You've got two months' deposit there that
9 you can draw against if they don't pay promptly? Is
10 that part of the rationale?

11 A. That's what we're proposing, yes.

12 Q. Could it also be that by having higher
13 security deposit, that you're actually creating a
14 barrier for certain people to even obtain service?

15 If they don't obtain service they're not
16 going to be non-payers.

17 A. In -- I could imagine that in some isolated
18 circumstances that could occur.

19 Q. But you haven't done any studies on that?

20 A. No.

21 Q. Or ask that the other GDCs, what their
22 experience has been?

23 A. No. No.

24 Q. Okay. Thank you.

25 CHAIRMAN BOYER: Any redirect, Ms. Bell.

1 MS. LARKIN BELL: Yes. Just a little bit.

2 REDIRECT EXAMINATION

3 BY MS. LARKIN BELL:

4 Q. Mr. Bakker, you were asked about whether the
5 security deposit covered the uncollectible amount.
6 Isn't that true?

7 A. Yes, I was.

8 Q. Isn't it designed to cover the Company's
9 risk?

10 A. We would hope so. Currently, with what's
11 allowed, far from covers it.

12 Q. Is that why the Company focused on these two
13 particular groups? The customer who has poor credit
14 and the new customer?

15 A. Yes, it is.

16 Q. And that -- did you do some type of a risk
17 analysis to determine if those were two groups that we
18 were at risk for?

19 A. We did.

20 I present information in Exhibit 4, in my
21 direct testimony, for example, that shows, from new
22 customers, that there is a large portion of
23 uncollectibles that come from -- from those parties
24 that have had service for less than 12 months. Where
25 essentially they haven't had sufficient time to

1 establish good credit with us.

2 I think, on average, at least over the three
3 years that I've presented, we're looking at 40 to
4 50 percent of the number of uncollectibles stem from
5 those new customers.

6 Q. Okay.

7 With regard to questions regarding the
8 allowance for health and safety in the after-hours
9 charge. Isn't it true that there are already rules
10 about health and safety with regard to shutting off
11 customers during cold winter months, for example?

12 A. There are.

13 Q. Isn't it also true that if the Company were
14 to condemn an appliance, we don't necessarily shut off
15 the gas flow to that customer's house, we just shut off
16 the appliance because of an unsafe situation?

17 A. If it's an appliance, we would just shut off
18 the appliance.

19 Q. And that customer could call a contractor
20 and get his or her appliance reconnected or -- not --
21 resume the functioning of that appliance. Isn't that
22 true?

23 A. That's true.

24 Q. And it doesn't really depend on the Company
25 at all in that situation?

1 A. No.

2 MS. LARKIN BELL: I think that's all I have.
3 Thank you.

4 CHAIRMAN BOYER: Thank you, Ms. Bell, and
5 thank you, Mr. Bakker. You may step down.

6 Ms. Bell, you have one more witness?

7 MS. LARKIN BELL: One more witness, a
8 rebuttal witness. Ms. Tina Faust.

9 CHAIRMAN BOYER: Very well.

10 Ms. Faust, please raise your right hand.

11 CHRISTINA M. FAUST,
12 having first been duly sworn, was examined and testified
13 as follows:

14 CHAIRMAN BOYER: Thank you. Please be
15 seated.

16 DIRECT EXAMINATION

17 BY MS. LARKIN BELL:

18 Q. Good afternoon, Ms. Faust.

19 A. Good afternoon.

20 Q. Please state your full name for the record?

21 A. Christina Marie Faust.

22 Q. And by whom are you employed?

23 A. Questar Gas Company.

24 Q. And what is your title at Questar Gas
25 Company?

1 A. Manager Gas Supply.

2 Q. And how long have you been employed at
3 Questar?

4 A. Twenty-two years.

5 Q. Let's leave. No, just kidding.

6 Did you file rebuttal testimony pre-marked
7 as rebuttal testimony of Tina M. Faust?

8 A. Yes.

9 Q. QGC Exhibit 10.0R, with one exhibit in this
10 docket?

11 A. Yes.

12 Q. And if you were asked the same questions
13 today that are in your testimony, would you responses
14 be the same?

15 A. Yes.

16 MS. LARKIN BELL: I would move for the
17 admission of Ms. Faust's rebuttal testimony, with the
18 one exhibit.

19 CHAIRMAN BOYER: Are there any objections to
20 the admission of Ms. Faust's testimony? Her rebuttal
21 testimony together with this one exhibit?

22 MS. SCHMID: None.

23 CHAIRMAN BOYER: Seeing none, then it will
24 be admitted into evidence.

25 * * *

1 (Whereupon, Ms. Fausts' Rebuttal testimony
2 and exhibits were received.)

3 Q. (BY MS. LARKIN BELL) Ms. Faust, have you
4 prepared a summary of your rebuttal testimony?

5 A. I have.

6 Q. Would you please proceed with that?

7 A. I will.

8 The Company is requesting changes to the
9 imbalance provisions of the draft for two reasons:

10 First is to clarify and incorporate the
11 indices relevant to customers and the Company; and
12 second, to provide a disincentive for the use of the
13 imbalance -- for the imbalance cash-out mechanism.

14 For review, the Company is proposing to
15 introduce a transportation market index price to be
16 used in the calculation of imbalance cash-outs.

17 As described in the proposed language, it's
18 the price most relevant to the physical location of
19 where the customer converges its supply and create its
20 imbalance.

21 The proposed provisions cannot create a
22 windfall for the Company, due to the fact that all
23 cash-outs are attributed to the 191 account.

24 And it also seeks to improve the language
25 that hasn't been updated for ten years, and that

1 currently doesn't reflect the market dynamics.

2 Index prices vary significantly across the
3 country, and even within the state of Utah, due to
4 competing markets for natural gas. When customers or
5 the Company need to purchase gas delivered to Southern
6 Utah, they typically must pay a So-Cal index related
7 price. Gas is not available at Rocky Mountain prices.

8 California's the main market for the supply,
9 and Southern Utah customers who divert this supply pay
10 a competing price.

11 Since indices currently exist relevant to
12 deliveries to this part of Utah, it seems prudent for
13 the Company to use the So-Cal index in calculating
14 imbalance cash-outs.

15 The transportation customer has many options
16 to remedy its imbalance situation prior to any
17 cash-out. The gas supply department monitors these
18 imbalances on a daily basis, and communicates
19 frequently with customers and/or their agents to
20 discourage the creation of imbalances, as well as to
21 notify them of any imbalances and to encourage them to
22 remedy such imbalances.

23 Once an imbalance situation occurs, the
24 customer may purchase or sell gas to nominate to the
25 current or prior-month imbalance, trade the imbalance

1 with another customer, or nominate an imbalance
2 pay-back to or from the Company.

3 The cash-out provision is only triggered if
4 the customer chooses not to remedy the imbalance in any
5 other way.

6 As this choice is out of the Company's
7 control, and occurs at the end of the month following
8 the month when the imbalance was incurred, the Company
9 has a great deal of price exposure.

10 The proposed tariff provisions attempt to
11 incent the customer to never get in a cash-out
12 situation, while simultaneously eliminating the price
13 exposure the firm sales customers have should the
14 customer choose to force the use of a cash-out
15 mechanism.

16 Q. Does that conclude your summary?

17 A. It does.

18 MS. LARKIN BELL: Ms. Faust is available for
19 cross-examination.

20 CHAIRMAN BOYER: Thank you, Ms. Faust.

21 Let's start with Ms. Schmid.

22 MS. SCHMID: No questions.

23 CHAIRMAN BOYER: Mr. Proctor?

24 MR. PROCTOR: No questions.

25 CHAIRMAN BOYER: Mr. Gardner?

1 MR. GARDNER: No questions.

2 CHAIRMAN BOYER: Mr. Dodge?

3 MR. DODGE: I do have some questions, thank
4 you.

5 CHAIRMAN BOYER: There we go.

6 CROSS EXAMINATION

7 BY MR. DODGE:

8 Q. Ms. Faust, I'm going to ask you a series of
9 questions from your rebuttal testimony. And I'm going
10 to start on page one, line 24.

11 You make a statement there that the current
12 tariff provisions do not always provide sufficient
13 incentives to the transportation customers to stay
14 within the imbalance tolerance window.

15 It's true, is it not, that you have not
16 provided any data or study to back up that statement.

17 A. I can provide examples right now if you'd
18 like me to.

19 Q. No, I've asked, in terms of your testimony
20 to this Commission, have you provided any kind of an
21 analysis or study to demonstrate that the current
22 tariff does not always provide sufficient incentives to
23 stay within the imbalance tolerance window?

24 A. It was not provided in rebuttal, no.

25 Q. Secondly, on page 26, you say, In fact -- 25

1 and 26. In fact, in some circumstances, the current
2 provisions provide incentives for customers to stay out
3 of balance for a period of time.

4 You have not provided for this Commission,
5 have you, any analysis or factual data backing up the
6 claim that, in fact, customers stay out of balance for
7 some period of time?

8 A. No, but I would be happy to if you would
9 like me to.

10 Q. Well, the way it actually works here is you
11 provide that evidence before you come, so we can look
12 at it and cross-examine you on it, not while you're
13 here.

14 A. Okay.

15 Q. I just want to know what you've provided to
16 the Commission and to us to look at in support of your
17 testimony.

18 On line 29 on page two, you say, In that
19 instance -- meaning in an instance where a
20 transportation customer is under delivered and created,
21 and is what you call drafting on the system, quote, the
22 Company may need to purchase additional natural gas
23 supplies, perhaps a peak in supplies, or pull natural
24 gas from storage in order to meet the needs of the firm
25 sales service customers at that time.

1 Again, have you provided any analysis or
2 data to illustrate whether, in fact, the Company has
3 had to purchase additional natural gas supplies, or at
4 what prices, or pull gas from storage?

5 A. Not in this testimony.

6 Q. On line 35 you say, The customer may deliver
7 volumes at a much lower price. You're saying when
8 someone is returning supplies.

9 Again, have you provided any analysis on
10 this record as to the cost impacts to the Company, and
11 therefore the other customers, through the 191 account,
12 of delivering volumes at a different price?

13 A. No.

14 Q. You similarly say, on line 45, A
15 transportation customer may cause too much natural gas
16 to be delivered into the Company system known as
17 packing, and go on to again to describe that that could
18 cause injuries.

19 Same question. Have you provided any kind
20 of data or analysis to back up that could statement?
21 Or may statement?

22 A. No.

23 Q. You also state that the -- and I'll now turn
24 to page three, line 75.

25 The so-called index is the most reflective

1 of the prices for the supplies that Southern Utah
2 transportation customers encounter.

3 Same question. Have you provided anything
4 to back up that statement?

5 A. It was provided in Higgins', I believe. But
6 I did not provide it in mine.

7 Q. What was provided in Higgins' testimony?

8 A. Examples of the prices and how they were
9 higher.

10 Q. And you have not -- you have not, though,
11 attempted --

12 Well, again, that's just showing one index
13 versus another. Your statement was the So-Cal index is
14 most reflective of the prices to supply that southern
15 Utah customers. We're now talking about specific --

16 A. I see.

17 Q. -- Southern Utah customers buying gas.

18 Have you done anything to demonstrate that
19 those customers, in fact, buy at the So-Cal price
20 versus any other price?

21 A. It was based on the experience of how I buy
22 gas at that point.

23 Q. And then you say, on -- on line 84, page
24 four, with -- starting at the top -- starting on 84,
25 Without being able to use the So-Cal index as proposed,

1 the Company will not always collect the necessary
2 revenues via imbalance cash-out charges.

3 Again, have you provided any analysis to
4 demonstrate that, in fact, the Company has not
5 collected the necessary revenues to cover its costs via
6 the current imbalance cash-out charges?

7 A. No.

8 Q. You say, in response to Mr. Higgins'
9 testimony, beginning on line 91, Mr. Higgins is
10 attempting to convince the Commission that the use of
11 the So-Cal index is excessive and unduly punitive;
12 however, by encouraging the Commission to reject the
13 Company's proposed use of the So-Cal index price he is
14 advocating that firm sales price customers pick up a
15 part of the cost associated with southern Utah
16 transportation customers' imbalances.

17 And I invite you to show us where in
18 Mr. Higgins' testimony he makes any such suggestion,
19 that there ought to be a subsidization by firm sales
20 customers of Southern Utah transportation customers.

21 A. He doesn't say it directly.

22 Q. In fact, may I quote what he actually said?

23 A. Yes.

24 Q. This is on -- in his direct -- excuse me,
25 his -- yeah, direct testimony, page 15 and 17,

1 beginning on line 12.

2 He says, and I quote, QGC has not provided
3 any evidence that additional penalties are needed, nor
4 has QGC provided any evidence that granting the pricing
5 discretion it is seeking will improve the status quo in
6 a just and reasonable manner. Adopting this provision
7 will create an invitation for QGC to apply its
8 discretion selectively without a countervailing public
9 benefit to justify departure from the current tariffs
10 prescribed terms.

11 Did I read that correctly?

12 A. Yes.

13 Q. So, in fact, what he's saying is not that
14 he's advocating a subsidy from one group of customers
15 to another, but that you have wholly failed in the
16 Company's testimony to provide any evidence on a cost
17 basis to justify a departure from the status quo.

18 Isn't that a more fair reading of
19 Mr. Higgins' testimony?

20 A. I disagree with that.

21 Q. Okay. What -- why do you think that's not a
22 fair reading of his testimony?

23 A. Because the imbalance situation isn't
24 planned --

25 The point of it isn't to serve as a

1 punitive. The point is to never have -- never get into
2 an imbalance cash-out penalty.

3 Q. Why don't we charge a million dollars the
4 first time we get out of balance? Wouldn't that do it?
5 100 percent? As best it can be done?

6 A. What I'm trying to do is get it closer to
7 what a relevant index is for all relevant parties.

8 Q. And the point is, do you not accept that the
9 Company has the burden of proof, when it's proposing
10 changes, to show that the current system is
11 reflective -- is -- is resulting in a cost transfer, or
12 improper cost recovery, or some other problems that
13 require a change in the tariff?

14 A. I'm less concerned about the damage that's
15 happened, and more concerned about preventing it in the
16 first place.

17 Q. And so you don't buy the notion that in this
18 jurisdiction we typically use cost-based analysis to
19 determine changes to the tariffs, or charges in the
20 tariff?

21 A. I'm prepared to talk about it if you'd like
22 me to, but you've said you don't want to talk about it.
23 I have an example right now.

24 Q. No, I'm saying I'd like that in the record
25 in a way that we can respond to it.

1 The proposal that you have made to allow the
2 Company to choose either the month of imbalance, or the
3 following month, or the following two months in the
4 context of sales, gives the Company a fair amount of
5 discretion, does it not?

6 A. The way it's practically handled it does
7 not, because the person at the Company does not know if
8 the customer is going to choose to do a cash-out until
9 the month following the month it was incurred.

10 And the Company cannot replace that gas,
11 should they need to, until the prior -- the price that
12 would be applicable would be the month following.
13 That's the methodology for having the three months.

14 Q. You don't even propose in the tariff to
15 indicate which of those three months you will use;
16 whether it's the highest, the lowest, the average. You
17 just say the Company can choose among three months in
18 selling -- in -- in providing a sale to remedy an
19 imbalance.

20 A. I think in a penalty situation, I think the
21 Company should have that choice and use the
22 applicable -- the one that's the most appropriate.
23 Which most likely would be the month following, because
24 they would have to use that big receipt price to buy
25 the gas that they are replacing.

1 Q. Again, the tariff doesn't even try to
2 describe what constrains that discretion, does it? It
3 just says you can pick one of three months.

4 A. It's in an effort to protect to firm sales
5 customers.

6 Q. What about protecting the interruptible
7 customers from price gouging?

8 Do you see that as part of your job as a
9 Company representative?

10 A. I don't see that price gouging goes on for
11 the interruptible customers, but my concern is the firm
12 sales.

13 Q. You don't have concern for interruptible
14 customers?

15 A. I did not say that.

16 Q. I think you did.

17 A. That's not what I meant.

18 Q. Okay.

19 A. I have concern for customers, but my primary
20 concern, when I purchase gas and I try -- you know, I
21 want to make sure the firm sales customers are not
22 inadvertently, unintentionally maybe, hurt by the
23 actions of industrial customers or other customers.

24 Q. And visa versa?

25 A. Try to make it -- we looked at all of the

1 options as far as how to prevent problems from
2 occurring, try to prevent unintentional consequences,
3 and we tried -- did our best, probably not a perfect
4 approach, we did our best to try to look at all of the
5 options that could happen and all the ways to cover.

6 Q. The one approach you didn't use was a cost
7 basis approach, to demonstrate what costs have been
8 caused, if any, by current -- by imbalance problems in
9 the past, and to remedy with the cost-base remedy.

10 Didn't attempt that, correct?

11 A. The point was not the costs that had been
12 incurred, the point was to create a disincentive for
13 the future.

14 Q. And, again, why not a million dollars?

15 A. It's not relevant. It's not a relevant
16 price index. There are -- relevant price indexes
17 exist. We decided to use them.

18 Ten years ago there weren't relevant price
19 indexes. Now there are. Why not use the indexes that
20 are available?

21 Q. But you're only addressing the So-Cal versus
22 the other index. And, again, you haven't demonstrated
23 that that's more relevant, in my view here.

24 But that aside, what about the other things?
25 Changing to allow any of three, or changing at all,

1 when you haven't demonstrated that there's now cost
2 reason or any damage that's occurred to sales customers
3 that needs to be remedied?

4 A. Because you can see, in past data and in
5 future data, there's a potential for that to happen.
6 And I'm trying to eliminate that potential or that
7 incentive to do that.

8 MR. DODGE: Okay. No further questions.

9 CHAIRMAN BOYER: Thank you, Mr. Dodge.
10 Mr. Ball?

11 MR. BALL: No, thank you, Chairman.

12 CHAIRMAN BOYER: Chairman Allen?

13 And I don't either. Thank you, Ms. Faust.

14 MS. LARKIN BELL: I do have a few redirect.

15 CHAIRMAN BOYER: Redirect. I'm sorry.

16 REDIRECT EXAMINATION

17 BY MS. LARKIN BELL:

18 Q. Ms. Faust, is it your opinion, as manager of
19 the gas supply, tariff modifications would improve the
20 imbalance remedies that are available for interruptible
21 customers?

22 Let me restate that.

23 It would improve your processes for these
24 customers?

25 A. I think it clarifies it, so I do think it

1 improves it. In the past, it hasn't been clear which
2 index to use and which time period they're using, so I
3 think it's been kind of a difficult situation when
4 they're trying to figure out what price they're going
5 to have to pay. The second clarifies and improves the
6 language.

7 Q. Is the Company at risk when the customers
8 are out of balance?

9 A. Yes.

10 Q. How much time does your department spend on
11 customers who have imbalance situations?

12 A. I have one employee that pretty much spends
13 most of her time dealing with industrial customers and
14 their imbalances.

15 MS. LARKIN BELL: I think that's all I have.

16 CHAIRMAN BOYER: Okay. Now you may step
17 down.

18 THE WITNESS: Thank you.

19 CHAIRMAN BOYER: Ms. Dibble, are you doing
20 okay down there?

21 Well let's -- I think we have time to
22 continue on. Let's begin with the Division's case
23 then.

24 Who's going to be your first witness,
25 Mr. Gregory?

1 MS. SCHMID: Yes. Mr. Gregory would be the
2 Division's first witness.

3 Could he be sworn in?

4 CHAIRMAN BOYER: Please come forward.

5 Mr. Gregory, would you please raise your
6 right hand?

7 GLEN E. ROBINSON

8 having first been duly sworn, was examined and testified
9 as follows:

10 CHAIRMAN BOYER: Thank you. Please be
11 seated.

12 THE WITNESS: And do I turn the light on or
13 leave the light off?

14 CHAIRMAN BOYER: Leave the light on. It
15 seems to work better that way.

16 THE WITNESS: It's not over there, so.

17 MS. SCHMID: Motel 6. Leave the light on.

18 DIRECT EXAMINATION

19 BY MS. SCHMID:

20 Q. Mr. Gregory, could you please state your
21 full name for the record?

22 A. My name is Glen E. Gregory.

23 Q. Please provide your business address.

24 A. My address -- my business address is 120
25 North Robinson Avenue, Suite 1400 West; Oklahoma City,

1 Oklahoma.

2 Q. By whom are you employed?

3 A. I'm an independent consultant, and I
4 specialize in public utility issues, such as cost of
5 capital, cost of service, and rate design.

6 Q. Please briefly describe your involvement --
7 On whose behalf are you involved in this
8 case?

9 A. My involvement in this case is -- is the
10 cost of service and rate design issues.

11 Q. Who is paying your bill?

12 A. Pardon me?

13 Q. Who is paying your bill? Is it the
14 Division of Public Utilities?

15 A. I'm appearing on behalf of the Utah Division
16 of Public Utilities.

17 Q. Thank you.

18 Can you please briefly describe your
19 involvement in this case?

20 A. My involvement in this case?

21 Again, that's the -- the substantial portion
22 of the cost of services.

23 CHAIRMAN BOYER: Mr. Gregory, can you pull
24 that mic just a little closer to you? You're fairly
25 soft-spoken.

1 THE WITNESS: Yeah, that's -- that's
2 something that comes up quite often, and just have
3 to --

4 CHAIRMAN BOYER: We just want to make sure
5 that your words are on the record.

6 THE WITNESS: Someone needs to remind me.
7 Thank you. So I appreciate that.

8 CHAIRMAN BOYER: I'll remind you.

9 Q. (BY MS. SCHMID) Have you reviewed other
10 parties' testimonies and participated with the Division
11 in the preparation of testimony in this case?

12 A. Yes. I've, yeah, reviewed the testimony,
13 and it involves cost of service and the rate design of
14 the other witnesses in the case.

15 Q. Did you prepare and cause to be pre-filed
16 what's been marked as DPU Exhibit No. 7, your pre-filed
17 direct cost of service rate design testimony, with its
18 accompanying Exhibits 7.1 through 7.4DP -- what's been
19 marked as DPU Exhibit No. 7.0SR, your pre-filed
20 surrebuttal cost of service rate design testimony, with
21 its Exhibits 7.1SR through 7.5SR?

22 A. I believe that's -- that's the extent, yes.
23 That's all of them.

24 Q. If you were asked those questions today,
25 would your answers be the same?

1 A. Yes. I believe they would be.

2 MS. SCHMID: The Division would like to
3 request that the DPU exhibits marked number 7.0, with
4 its exhibits, DPU Exhibit No. 7.0SR, with its
5 accompanying exhibits be admitted.

6 CHAIRMAN BOYER: Are there any objections to
7 the admission of Mr. Gregory's testimony?

8 MR. PROCTOR: No objection.

9 CHAIRMAN BOYER: Very well, Mr. Gregory's
10 direct testimony, identified as DPU Exhibit No. 7,
11 together with its exhibits; and his surrebuttal
12 testimony, identified as DPU Exhibit No. 7.0SR are
13 admitted into evidence.

14 (Whereupon, Mr. Gregory's direct and
15 surrebuttal testimony with exhibits
16 were received.)

17 MS. SCHMID: Thank you.

18 Q. (BY MS. SCHMID) Mr. Gregory, do you have a
19 brief summary to provide today?

20 A. Yes, I do.

21 Q. Please proceed.

22 A. And I hope it's brief.

23 In the cost of service phase I've filed
24 direct and surrebuttal testimony regarding cost of
25 service issues and rate design.

1 I prepared a cost of -- a class cost of
2 service on behalf of the Division.

3 I recommended in my testimony that QG -- QGC
4 provide a class cost of service that includes all
5 customers and all classes in the next rate case.

6 I -- and I'm speaking to cost of service
7 issues.

8 I accepted the 80 percent allocation of
9 small diameter mains as allocation in the same manner
10 as QGCs, as customer related.

11 My objection was I used -- I did
12 20 percent -- I allocated to 80 percent peak send-out
13 and 20 percent throughput. At 20 percent was used to
14 recognize that even small diameters include some
15 capacity component that's not necessarily
16 customer-related.

17 And regarding the feeder lines of the
18 large -- large mains that -- that serve all customers,
19 I allocated that based on 80 percent peak send-out and
20 20 percent throughput.

21 I used 80 percent peak demand -- since this
22 is always considered a primary driver of a utilities
23 decision -- to size pipe on the system.

24 I then argued that the interruptible classes
25 should be allocated some costs based on their average

1 daily usage.

2 I used this method, as commonly used by the
3 FERC, to allocate fixed costs to interruptible customer
4 loads.

5 This method substantially reduces the
6 allocation of fixed costs to interruptible customer
7 loads.

8 I used actual day of record send-out instead
9 of the theoretical peak day.

10 And I also recognized that the --
11 Mr. Robinson's comment that as regards the
12 transportation service rate, that we came out with
13 similar results. The difference is, is that because I
14 used more peak day, or a higher percentage of the peak
15 day, I assign more of the cost to the firm
16 transportation customers -- or excuse me, less cost to
17 the firm transportation customers and less to the
18 interruptible customers.

19 I've gotten confused there. Let me back up.

20 I assigned less cost to the firm
21 transportation customers and more to the IT.

22 Part of the problem I'm struggling with here
23 is I just prepared this today -- my summary, because I
24 wasn't for sure that -- I didn't know that I had to do
25 that. But anyway, bear with me.

1 For the FT-1 rate class, I included that in
2 my class cost of service.

3 There was an issue regarding the
4 transportation service and IS value of gas purchase,
5 which I raised in my direct testimony, but I accepted,
6 after reviewing the testimony that QGC method in my
7 surrebuttal.

8 The results of the DPU class cost of service
9 are included in the DPU Exhibit 7.4SR.

10 And regarding rate design, I embraced the --
11 the ideal of gradualism.

12 I, in my proposal, was to increase the rates
13 no more than 50 percent of a movement required to get
14 them to the class cost of service. This meant that I
15 increased the transportation service rates by
16 25 percent, and I increased the firm sales customers'
17 rates by ten percent. The TF-1 rates by 12.5 percent.

18 And there was no increase to the IS class,
19 because, when I combined the IS-4 and the expansion
20 class, IS-4, the -- they -- in my original proposal to
21 increase that, the IF-4 class 25 percent, when I
22 combined that class of the IS-4 would -- would have
23 resulted in a very substantial increase to -- to the
24 combined classes. So I -- I increased the -- I did not
25 increase the combined class, although the rates to the

1 I-4 customers would increase 25 percent.

2 I increased the GSR rate by 4.51 percent,
3 and the GSC rate by 4.47 percent.

4 I also developed the proof of revenue for
5 the -- for the Division that -- that developed tariff
6 rates that would result in the recovery of the \$12
7 million that the Commission allowed QGC in the rate
8 case.

9 I supported the QGC position that
10 transportation administration rates should be reduced.

11 Concerning the GSR and the GSC split, I
12 recommended approval of the proposal to split the GS-1
13 classes into these two new classes.

14 In future rate cases, I recommended that the
15 GSC be broken into two classes; one a small class and
16 one with a break of three decatherms winter peak use.

17 I supported the concept of summer/winter
18 differentials as an important part of rate design.

19 I supported the QGC recommended
20 transportation service rate structure merger of the
21 FT-2 and the IT rate codes.

22 That the main charge, we actually, on this
23 one, we agreed -- we have actually proposed to increase
24 the rates for this combined classing in exactly the
25 same amount. The only difference between myself and

1 the Company was that they proposed to use -- continue
2 the use of declining block rates, while I proposed to
3 use flat rates.

4 I also recommended approval of the Company's
5 proposal to include restrictions on interruptible sales
6 and transportation customers when transferring to
7 service on firm sales schedules.

8 And regarding balancing charges, when --
9 when they're out of balance over five percent, I -- I
10 recommended that the Commission accept the Company's
11 proposed use of specific index prices correlating to
12 the location of customer supply delivery, and
13 determining the imbalance cash-out charge.

14 Some of the other issues that I placed in my
15 surrebuttal testimony was regarding the next rate case,
16 and the next class cost of service.

17 What I've recommended basically in there,
18 was in the next class cost of service, is that all
19 classes be included in -- in the class cost of service.

20 The second thing I recommended was that the
21 peak-day volumes, by -- used to allocate the cost to
22 the various classes, be included for all classes.

23 And one of the main reasons I did that is
24 because, if you look at the way the cost of service is
25 constructed now, about 80 percent of the peak day uses

1 of the transportation customers is -- is not included,
2 and that tends to distort the results of the class cost
3 of service.

4 And the final change that I recommended in
5 surrebuttal is that the derivation of peak day should
6 be the same for both sales customers and transportation
7 customers.

8 And I -- everything I've read, I disagree
9 with Mr. Bateson, that -- that the -- his comment was
10 that they are the same. And I -- I can't find that
11 they are, because the sales customers are -- are based
12 on 20 years until this day, while the -- he agreed the
13 tariffs and the definition of peak day as far as the
14 transportation customers are concerned, is the -- is
15 the peak use and the -- in the most previous three
16 years.

17 So, my -- that is for the next rate case,
18 but those are the three things I'd like to see in the
19 next rate case.

20 That completes my not-so-short summary.

21 Q. Mr. Gregory, this is your first appearance
22 before the Utah Public Service Commission, isn't it?

23 A. Yes, it is, and it's a learning experience.

24 And actually, it's been an interesting
25 experience. This Commission does things somewhat

1 different than what I've seen. And that may be why
2 sometimes the Company may think that I'm doing things
3 differently than what would be proper.

4 Q. So because this is your first time being
5 here, could you give just about a three-sentence
6 summary of your experience in the utility area? So we
7 can be a little bit more familiar with you?

8 A. Not here, but in general.

9 Q. Yes, in general?

10 A. I worked for the Oklahoma Commission
11 Corporation in the same role as the Division staff
12 here, as a supervisor. And I was basically in charge
13 of cost of service, rate design, capital costs, bidding
14 processes, things like that.

15 And I worked there for 21 years, leaving in
16 2003 to become an independent consultant, which is what
17 I've done since then. And I've worked for attorney
18 generals, utility commissions, staff, and individual
19 customers of utilities.

20 Q. Thank you.

21 MS. SCHMID: Mr. Gregory is now available
22 for questioning.

23 CHAIRMAN BOYER: Thank you, Ms. Schmid.

24 I was hoping you would say this Commission
25 does things better than other commissions. We'll

1 settle for different.

2 MS. SCHMID: Perhaps redirect can solve
3 that.

4 CHAIRMAN BOYER: Let's take a ten-minute
5 recess and we'll come back and commence.

6 THE WITNESS: Am I not loud enough?

7 CHAIRMAN BOYER: You are very soft-spoken,
8 but I believe we are taking that up.

9 THE WITNESS: I didn't get a chance to get
10 some water.

11 CHAIRMAN BOYER: We'll take that opportunity
12 right now.

13 (Whereupon, a break was taken.)

14 CHAIRMAN BOYER: Okay. Let's go back on the
15 record. And now we will entertain cross-examination of
16 Mr. Gregory, beginning with the Company, I guess. Why
17 don't we start there.

18 Welcome, Mr. Monson. You've so quiet and
19 well-behaved today. Up until now.

20 MR. MONSON: It's been one of my better days
21 today. So far.

22 CROSS EXAMINATION

23 BY MR. MONSON:

24 Q. Mr. Gregory, I'm Greg Monson and I'm an
25 attorney for Questar Gas.

1 A. Monson?

2 Q. I handed out, during the break, a one-page
3 exhibit that we probably ought to mark.

4 We'll call it QGC Cross 1 or something. Is
5 that -- is that all right?

6 CHAIRMAN BOYER: That has a nice ring to it.
7 Let's do that.

8 I'll be referring to that during my
9 questions, Mr. Gregory.

10 (Whereupon, Exhibit No. QGC Cross 1
11 was marked for identification.)

12 Q. (BY MR. MONSON) You criticized the
13 Company's distribution plan -- excuse me, it's peak-day
14 factor in your testimony. Is that right?

15 A. Yes.

16 Q. And the Company based its peak-day factor on
17 the design peak day in its most integrated resource --
18 in it's most recent integrated resource plan, adjusted
19 for known changes. Is that your understanding?

20 A. Yes. Yes.

21 Q. And so it represents a theoretical day,
22 assuming the lowest temperatures that might reasonably
23 be anticipated. Is that right?

24 A. Yes. Actually, I did review your estimation
25 process for your -- for the sales customers.

1 Q. Okay.

2 And the mean temperatures on that day, which
3 were in Exhibit 8.4U, QGC Exhibit 8.4U, were minus six
4 degrees in Salt Lake, were minus 11 degrees in
5 Richfield, and minus -- and plus 15 degrees in
6 St. George.

7 Is that right?

8 A. That was where -- the degrees that you used
9 in your study --

10 Q. Right.

11 A. -- was.

12 CHAIRMAN BOYER: Pardon me for interrupting
13 you. Mr. Gregory, would you slide that mic just a
14 little bit closer to you?

15 Thank you.

16 THE WITNESS: I would stipulate that that's
17 the numbers. Subject to check.

18 Q. (BY MR. MONSON) Okay. And then, what you
19 used was the day of highest send-out, which was January
20 15th of 2007. Is that right?

21 A. Yes. Yes.

22 Q. Okay. And would you accept, subject to
23 check, that the temperatures on that day, which are
24 showed on QGC Cross 1, were 11.1 degrees in Salt Lake,
25 minus point five degrees in Richfield, and 27.5 degrees

1 in St. George?

2 A. That would be -- yes, subject to check.

3 Q. Subject to check.

4 And I think Mr. Bateson characterized that
5 as a balmy winter day, but would you at least agree
6 that the temperatures are substantially higher on the
7 day you used on the Company's design?

8 MS. SCHMID: Objection to the use of the
9 word substantially. Mr. Gregory is not a weather
10 expert, nor has he been put up as one.

11 CHAIRMAN BOYER: Why don't you reword that,
12 Mr. Monson.

13 Q. (BY MR. MONSON) Would you agree that the
14 temperature, for example, in Salt Lake City, on the
15 design peak day versus the day you used, was
16 actually -- that the day you used was three times
17 higher than the -- than the design peak day?

18 A. I'd think that three-times-higher-rate is
19 somewhat misleading.

20 I can agree that the -- that the theoretical
21 coldest day you used was -- was quite a bit colder than
22 the September 15th, 2000 day that I used.

23 Q. Okay.

24 And it was 17.5 degrees higher. Right?

25 A. That the --

1 Q. In Salt Lake City.

2 A. Yes. Well, then, and that's to be expected,
3 because the theoretical design peak day, I'd think your
4 Company uses 20 years most recent. Some use evening
5 farther back than that.

6 But they -- yeah. For planning purposes, I
7 don't think I have a basic disagreement with what
8 you're using on your design day.

9 My -- my main objection came about from the
10 fact that the transportation customers were having
11 their allocation based on a difference degree day than
12 the customer -- than the sales customers. And that was
13 really the -- what gave rise to myself using the
14 observed peak.

15 And I also looked at the -- the IRP. And I
16 remember that the quotes in the IRP, that the Company
17 said that even this doesn't meet a design peak day.
18 That it substantially substantiates the number that
19 you're showing in your column.

20 And, yeah.

21 So I'm just trying -- I was just trying
22 primarily to -- to even the things up between the
23 transportation and the sales customers.

24 Q. Let's look at line five of this -- of this
25 exhibit, which is firm transportation volumes.

1 The Questar Gas design day is 42,127
2 decatherms. Yours, in your study, was 68,929
3 decatherms?

4 A. That there is a difference there, because
5 I -- okay. I accepted -- I used the 42,127 for the --
6 I believe it's the FT-2 that's combining with -- to
7 become the TS. Is the numbers were real close on that
8 one. They're probably exactly the same.

9 But the difference was is when I added FT-1
10 class to my cost of service, which your Company didn't
11 put in there, I -- I had to estimate their demand to
12 allocate that class.

13 Q. Okay. So --

14 A. That's the difference.

15 Q. At least with regard to the F-2 customers,
16 you used the same number the Company used?

17 A. Alt -- I think it was a little bit
18 different. The -- I think that got changed in some
19 other testimony to --

20 That was what you originally used, and I'm
21 not clear yet on whether you changed. But that was the
22 number that was in the original cost of service. I
23 agree with that.

24 Q. Okay. And that was the contract demand
25 number?

1 A. That was a contract demand.

2 Q. Right.

3 And that's the same number you used for that
4 class?

5 A. Yes. Yes, sir.

6 Q. Okay. Thank you.

7 And would you agree with me that when you
8 lower the temperature by -- from ten to 17.5 degrees,
9 that you use a lot more gas?

10 MS. SCHMID: Objection. If he knows. He's
11 not, to my knowledge, a transportation gas engineer.
12 Although Boyle's Law is Boyle's Law.

13 CHAIRMAN BOYER: Mr. Gregory, if you know
14 the answer you may answer.

15 THE WITNESS: Could you ask the question
16 again, so I get my thoughts together?

17 Q. (BY MR. MONSON) Yeah. I was asking you
18 that if the temperature is 10.5 to 17.5 degrees colder,
19 would you expect that the system would use -- the firm
20 sales customers and the firm transportation customers
21 would use a lot more gas on a day that's that much
22 colder?

23 A. What I would agree, that as the temperatures
24 drops, both -- both the sales customers and the
25 transportation customers tend to use more gas. That --

1 I saw that in your send-out records, that your
2 transportation customers are similar in that respect,
3 because as the testimony -- you can see it on your
4 send-out reports. You see, as the temperature gets
5 cooler and it gets colder, even in this year, that
6 it's -- I agree, it's not the -- the theoretical load
7 at stay. That they behave somewhat similarly to the
8 sales customers. That is that they increase their
9 throughput to -- to meet whatever their --

10 You know, I don't know what they use it for,
11 but I know that some of the customers are schools and
12 things like that, but -- but the basic point is is that
13 what they're using varies with temperature.

14 Q. But if you were on the theoretically -- the
15 theoretical cold day, the design day, they would be
16 limited to the contract demand, wouldn't they?

17 A. Well, I don't think they would --

18 Well, if they was --

19 That's a very, very cold day that you're
20 talking about here. That -- that may happen, maybe
21 what, once in a century? Something like that. That's
22 usually what happens.

23 So what -- you know, from my experience,
24 and -- that's what I -- I find something kind of unique
25 here with -- with your Company. And it may be the

1 Commission itself. Is that you had a considerable
2 amount of the transportation customers were signed up
3 as interruptible customers.

4 And when -- in my state, we -- we had some
5 interruptibles, but not that many. They were given a
6 discount.

7 But on a -- we had those days that came --
8 came really close to a theoretical day where the -- and
9 it was usually the gas wells freezing up that they
10 couldn't put the gas out. So -- so, on those days,
11 yeah, they -- they -- almost all of the industrials had
12 to -- had their -- had to curtail their service to
13 supply the human need, so -- so. You know, on that
14 very specific day. But that happens once in -- or
15 twice, three times in mine and your lifetime.

16 So, anyway, your point is. If your point is
17 is that when it gets so cold you will probably curtail
18 some of that load. If it's -- if it's the year like
19 you had there, I think I wrote down a response that as
20 long as the capacity is available, you'll continue to
21 supply that customer, even though it exceeded his
22 contract amount.

23 Q. Okay. And -- and just to clarify something.
24 I think I mis-asked something a minute ago.

25 Again, for the FT-2 customers, we've

1 assumed, in our two studies, the same volume for the
2 peak load factor. Peak-day factor. Right?

3 A. Say that again.

4 Q. We've assumed the same volume of send out to
5 the transportation customers in the FT-2 class.

6 A. For the FT-2 class? I -- for the send-out
7 in my model.

8 Q. In both models.

9 It's the same model, right? 42,000?

10 A. I used the 42,000. And the reason I
11 accepted that number is because I was -- I reread them
12 again, and the tariffs on the FT-2 rate, it talks about
13 the peak winter day and the requirements, and it talks
14 about that the peak winter day will be set on the
15 coldest three years of recent experience, and not the
16 theoretical cold day.

17 And that's -- tends to give me some concerns
18 on the discrepancy between how the firm sales customers
19 are treated for capacity as signed up, and the
20 transportation customers.

21 Q. Okay.

22 And a major difference between the two
23 studies is, as you've been pointing out, that Questar
24 Gas assumed the interruptible customers would use no
25 gas on the designed peak day, and you assumed they

1 would use 50,000 decatherms. Right?

2 A. I don't believe I used -- okay. If you --

3 You combined the -- both classes there to

4 come up with 50,000.

5 Q. Both interruptible classes, yeah.

6 A. What -- and I know I have that day here, but

7 that's -- that's --

8 50,000 is about 35,000 less than was

9 actually observed.

10 Q. Right?

11 A. On the peak day.

12 And as I explained in testimony, as I've
13 used the FERC method to -- to reduce the demand that I
14 saw rather than increase it. And actually, when you
15 look at the FERC method, it's -- and I think
16 Mr. Higgins pointed out, and I probably should have
17 said it in testimony, but it's really 100 percent load
18 factor. And what the purpose of it is -- the purpose
19 is to recognize -- is to recognize that --

20 Yeah. Attorney staring at me there is --
21 I'm just trying to explain what's going on here.

22 The purpose is to recognize that they are
23 using that system. Even the Company's witness, with
24 his 40 percent throughput consideration, recognizes
25 that they do use the facilities, and that -- that their

1 usage of the system isn't costless.

2 So -- so our differences in agreement are
3 really not that great. Actually, they aren't. They --
4 I saw maybe about 20 percent more of the cost of the IT
5 load than -- than your Company witness would. And I
6 saw about 20 percent less to the firm transportation
7 because of that allocation.

8 So, in effect, we came out about the same.

9 Q. Okay. But -- but you determined the
10 interruptible load on the -- on the peak day, not based
11 on what they actually took, as you just said, but based
12 upon their average takes during the entire year. Is
13 that right?

14 A. I basically based the allocation for
15 interruptibles based on the FERC method, which would
16 use the annual throughput, which basically reduces
17 the -- the -- even though they may be higher -- you may
18 observe them as a higher peak, but you lower the peak
19 down to their average use, then that gives them a
20 discount from their -- their cost assignment.

21 Q. Well, it gives them a discount unless you
22 assume to the design peak day they won't have any
23 volumes. Is that right?

24 MS. SCHMID: Excuse me. I think this has
25 been asked and answered.

1 Objection.

2 CHAIRMAN BOYER: Well, I'm not sure that
3 it's been answered, so let's let Mr. Monson ask it one
4 more time.

5 Q. (BY MR. MONSON) You said your method
6 assigns them less cost than would have been assigned
7 based upon what they took on the -- on January 15th,
8 2007, but it assigns them way more cost than would be
9 assigned to them if you assume they take no gas on the
10 design peak day. Is that right?

11 A. Okay. The method is recognizing that
12 they're using the system. And I can agree with you
13 that -- that on this extremely cold day, they're most
14 likely going to be curtailed. But, you know, I don't
15 know whether we're meeting each other on this. And
16 it's my -- my -- I would like for us to, because I
17 don't think that the method I've used is substantially
18 different than what your witnesses used, because your
19 witness assigned 40 percent of throughput, which gives
20 them assignment, even though that -- that -- they're
21 giving them some assignment even though they're also
22 saying that on the theoretical peak day, that they
23 won't be sending gas to that customer. I don't think.

24 I'm not trying to confuse the issue, I'm
25 just trying to get us clear on where the difference

1 between myself and your witness are.

2 Q. Okay. But on the -- but our witness used
3 60 percent on the -- of the peak-day factor, which
4 included no cost assignment to firm customers. Is that
5 right?

6 A. That's correct.

7 Q. And wasn't the effect of the changes you
8 made, to the peak day cost, to move costs to
9 transportation and interruptible customers, and away
10 from firm customers? Wasn't that the result?

11 A. It -- but you -- using the peak day, it
12 makes it look like a peak day of 50,000.

13 But the reason I -- I used it was because I
14 was using your software. And when I run it through
15 there as a loader demand, what the result is is that
16 the -- I'm using 100 percent of the throughput average
17 to assign cost rather than -- than demand factor. And,
18 I mean, I recognize it looks like that, but that's --
19 that's just the way it works. It works out to an
20 average usage.

21 Q. I'm sorry.

22 I don't think you answered my question. My
23 question was, that as a result of the change in the
24 peak-day factor that you used, versus the one the
25 Company used, you assigned more costs than the Company

1 did to interruptible customers and to firm
2 transportation customers. Is that right?

3 A. I assigned more of -- assigned more of the
4 plant costs to interruptible customers and less to the
5 firm customers. If that answers your question.

6 MR. MONSON: That does. Thank you.

7 THE WITNESS: I'm sorry.

8 MR. MONSON: That's all I have.

9 CHAIRMAN BOYER: Thank you, Mr. Monson.

10 Mr. Gardner, have you any questions for
11 Mr. Gregory?

12 MR. GARDNER: I do. Thank you.

13 CROSS EXAMINATION

14 BY MR. GARDNER:

15 Q. My name is Dale Gardner. I represent the
16 AARP.

17 A. What was the name again?

18 Q. Dale Gardner. You can call me -- never
19 mind.

20 And I'll ask you to get closer to the
21 microphone.

22 THE WITNESS: I have to. I have to do that.

23 CHAIRMAN BOYER: Let me interrupt for just a
24 moment, Mr. Gardner. Did you wish to do anything with
25 your exhibit, Mr. Monson?

1 MR. MONSON: Yeah. Can I offer that,
2 please?

3 MS. SCHMID: I would object on the same
4 grounds that Questar Company objected to the exhibits
5 of the CCS, in that this is something that could have
6 been put in during the testimony; and while proper for
7 illustrative purposes, is not to be admitted here -- or
8 subject to your decision, but it would be my argument
9 that it's not to be admitted here.

10 CHAIRMAN BOYER: There might be a foundation
11 issue. Who prepared it and listed the sources.

12 MR. MONSON: I've listed the sources, and
13 the sources are out of the Questar sources in
14 Mr. Bateson's testimony. The Division source is from
15 Mr. Gregory's August 18th cost of service model.

16 If he doesn't accept those, then I guess
17 there could be a problem, but the rest of it's just
18 simply addition and division.

19 MS. SCHMID: We haven't discussed column D,
20 the percentage differences and things like that, so,
21 again, I would renew my objection.

22 CHAIRMAN BOYER: Okay. Well, here's -- I
23 think Mr. Gregory has admitted some of the figures in
24 columns A and B, and so we'll -- we'll admit it in
25 evidence and give it appropriate weight, but

1 acknowledging your objection to those other numbers on
2 there.

3 MS. SCHMID: Thank you.

4 (Whereupon, Exhibit No. QGC Cross 2
5 was received.)

6 Q. (BY MR. GARDNER) Okay. Mr. Gregory, I'd
7 like to ask you a few questions about the concept of
8 conservation.

9 You agree, don't you, that declining block
10 rates, that a slope would reduce incentive to reduce
11 natural gas usage. Isn't that correct?

12 A. I think that question -- I can't hear you.
13 I can hear him well, but.

14 Q. I'm going to put this right up there.

15 A. I don't want to answer a question you didn't
16 ask.

17 Q. I started out in life as a country western
18 disk jockey, but I wasn't any good at it, so that's why
19 I became a lawyer. But now I understand.

20 You can hear me now, can't you?

21 Okay. Mr. Gregory, you believe, don't you,
22 that declining block rates, with a steep slope, reduce
23 the incentive to conserve natural gas.

24 MR. MONSON: I want to interpose an
25 objection. It's not my witness, but this is friendly

1 cross.

2 MR. GARDNER: So what?

3 I'll follow the Commission's direction. I
4 know we're not --

5 CHAIRMAN BOYER: Let's get an answer to
6 that. He did say it with a smile, and I'm not sure
7 that it's friendly cross.

8 THE WITNESS: Can I go ahead and answer the
9 question?

10 CHAIRMAN BOYER: Yes. If you know the
11 answer, sure.

12 THE WITNESS: Your question on declining
13 block rates, do they increase the consumption of
14 natural gas?

15 Q. (BY MR. GARDNER) No. Do they increase the
16 incentive to conserve natural gas.

17 Do they reduce the incentive to conserve.

18 A. Declining block rates would reduce the
19 incentive, because as the price gets lower, there's
20 going to be less of a reason to curtail your use of
21 gas. And I -- you know, I've heard it discussed, that
22 because the natural gas component is the main driver,
23 that it makes no difference. But I disagree with that.
24 Even small differences can make a difference.

25 The answer is that declining block rates

1 don't encourage conservation as much as flat rates.

2 Q. So flat rates do increase conservation?

3 A. Flat rates would do a better job of inducing
4 conservation than declining block rates.

5 Q. Now, you know that Questar proposes to
6 divide or split the GS-1 class into the GS residential
7 class and the GS commercial class, don't you?

8 A. Yes. And -- yes, I do.

9 Q. And the GS residential class will have a
10 flat rate.

11 A. The residential class will have a flat rate
12 now, but this is just the beginning.

13 The concept that we looked at on there is
14 there's -- there's minimal use. I think I saw numbers
15 that may be less than one percent of the -- of the
16 customers, and the residential class use more than 45
17 decatherms. And so that's -- it's easier to say, well,
18 you know, we can go ahead and move it to the flat rate,
19 but this class.

20 Now, the GSC is an entirely different
21 animal, because you have a lot of diversity of use. I
22 think I saw some using upwards of five and 600
23 decatherms.

24 So --

25 Q. Isn't it --

1 A. What we would like to see the Commission do
2 is, and QGC, in the next rate case, is -- is further
3 define the general service class so that we can move to
4 flatter rates with them. We just didn't think that we
5 could do that -- and in this particular case -- without
6 having substantial disruptions and negative benefits
7 for customers.

8 And we didn't see those type of problems
9 occurring with the residential class, because that -- I
10 don't think there is more than -- I think I saw the
11 numbers, maybe three or four customers that really even
12 exceed 100 decatherms.

13 Q. Okay. And your proposal to study further
14 dividing the general service customers is based on
15 usage -- the amount of usage, isn't it?

16 A. Within the general service class.

17 And we haven't proposed it yet. We're
18 saying the studies should look at --

19 MS. SCHMID: And objection. I think perhaps
20 the questions on the study would be more appropriately
21 addressed to DPU Witness Barrow.

22 MR. GARDNER: I don't think so. He
23 testified in his direct testimony that he thought that
24 there should be further study on dividing up the
25 general service commercial class based on usage.

1 MS. SCHMID: Although I would note that
2 Mr. Gregory is not a policy witness for the Division,
3 and so I respectfully request that the questions be
4 directed at Mr. Barrow.

5 MR. GARDNER: Well, that's silly. I mean,
6 he's filed direct testimony on this issue. I'm
7 entitled to cross-examine him on the testimony he's
8 provided.

9 CHAIRMAN BOYER: I think Mr. Gardner is
10 right, Ms. Schmid. We'll let you proceed.

11 MR. GARDNER: Okay.

12 CHAIRMAN BOYER: To the extent you know the
13 answer, Mr. Gregory.

14 If you don't, there's no shame in saying you
15 don't know the answer if you don't know it.

16 MS. LARKIN BELL: Or in saying yes if you do
17 know it.

18 Okay.

19 Q. (BY MR. GARDNER) What you're proposing that
20 the Commission further study dividing the service of
21 commercial class if the GS-1 class is divided. Right?

22 A. Let me restate that. It's the DPU -- that
23 the Division is proposing that.

24 Q. Right.

25 A. Between myself and Mr. Barrow and my

1 attorneys.

2 Mr. Barrow spent more of the time on this,
3 although it was in my testimony that I recommend that.
4 Yes. That -- that deals with -- because I was talking
5 about declining block rates, and trying to -- to lessen
6 the declining block rates.

7 Q. You want flatter rates?

8 A. If you lessen the declining block rates,
9 you'll improve what you're searching for. Is the
10 conservation. Effect.

11 Q. Okay. Is there any reason to separate the
12 GSR customers from the GSC customers who use --

13 A. I -- I --

14 Q. Just a moment.

15 A. Sorry.

16 Q. -- who use less than 45 decatherms per
17 month?

18 A. Is there any reason?

19 Q. Yeah. Does it make sense to do that?

20 A. I would say the reason is is if we move --
21 there -- you know, we're going -- the Division plans on
22 doing something more with flat rates with the GSC, but
23 for this particular case there is a reason. And the
24 reason was is as I stated, is that -- and Mr. Barrow
25 also will add to that in his testimony. That there's

1 very few residential customers that use more than 45.

2 You know, I think the -- a lot of the
3 discussion comes with rate design is that you can
4 design rates that are going to fit every customer
5 perfectly, or every customer class perfectly, and it
6 just doesn't happen.

7 Q. Okay. Why would you pull out general
8 service commercial customers who use less than 45
9 decatherms from the residential class that also uses
10 general -- that uses less than 45 decatherms? They're
11 both going to have the same flat rate?

12 A. It's --
13 It's a practical solution to the concerns.

14 Q. To what -- to what problem?

15 A. I don't -- you know, the -- the --

16 Let's -- let's put it differently.

17 If we -- let's say we -- say let's do away
18 with the GS-1, and we just flatten out the rate. I
19 mean, it could do -- that could have some dis --
20 substantial disruptions to -- to -- I mean, large
21 disruptions to the commercial customers.

22 Q. Well, why shouldn't we just divide the GS-1
23 class, not into commercial and residential, but just
24 divide it along the lines of small and large?

25 A. That general service clients, we will do

1 that, but -- but there's a good reason for using the
2 residential, because they -- they are the most
3 humongous class that's on the system. That the --
4 they -- the general service class proposed has some
5 homogenous aspects, but they have a wide range in
6 usage. They use -- some of them use a tremendous --
7 you know, 15, 20 times the gas that any of the
8 residential use.

9 So I think most Commissions do take
10 practical considerations. And I think this is the --
11 what the Division is recommending as one of those.

12 Q. Well, to sum up, you want the general
13 service one class divided to move to flatter rates.
14 Correct?

15 A. Pardon again?

16 Q. To sum up, you want the general service one
17 class divided to begin moving to flatter rates.
18 Correct?

19 A. We would like to see the Commission divide
20 the rates. And as one part -- eventually into three
21 rates; one being the general service residential, one
22 being the general service commercial small; and one
23 being the general service large.

24 Q. But you could --

25 A. And I think what we hope we can obtain from

1 that is rates that are flatter in their concept. And
2 that might -- may or may not include declining block
3 rates.

4 MR. GARDNER: Thank you.

5 CHAIRMAN BOYER: Okay. Thank you,
6 Mr. Gardner.

7 Mr. Dodge?

8 MR. DODGE: Thank you, Mr. Chairman.

9 CROSS EXAMINATION

10 BY MR. DODGE:

11 Q. Mr. Gregory, I think I have one question,
12 and with some trepidation I want to wade back into the
13 peak-day issue briefly.

14 Do you acknowledge that, in designing the
15 system, Questar Gas Company employees design it towards
16 the peak day they think they may ever see in the
17 following ten or 20 years as opposed to January 15th,
18 2007? The date that you used for allocating peak
19 usage? Or the peak factor?

20 A. There's a difference -- the Company very
21 definitely looks at --

22 CHAIRMAN BOYER: Mr. Gregory, because you
23 turned your head so you can see Mr. Dodge, slide the
24 mic a little bit.

25 THE WITNESS: What the engineers have

1 designed the system, of course they're going to try
2 to -- and you would hope they would -- design a system
3 that can supply gas on very cold days. But there's
4 a -- I think there's a big difference between the
5 design and -- and allocation of cost to customers. And
6 that's what gave rise to my point, was that I felt like
7 that the sales class and the transportation customers
8 were being treated differently. The sales class was --
9 was given a demand assignment based on the design day.
10 The transportation customers were given a class
11 assignment based on something less than that.

12 But that doesn't answer your question. The
13 question is, yes, the engineers used the design day.
14 And I have no disagreement whether that should be the
15 very coldest day or not.

16 MR. DODGE: That's all. Thank you.

17 CHAIRMAN BOYER: Mr. Ball, have you
18 questions for Mr. Gregory?

19 MR. BALL: No thank you, Chairman.

20 CHAIRMAN BOYER: Commissioner Allen?

21 Oh, I'm sorry, Mr. Proctor. How could I
22 forget you?

23 MR. PROCTOR: I'm easy to forget.

24 I have questions.

25 CHAIRMAN BOYER: You have no questions?

1 MR. PROCTOR: I have questions.

2 CHAIRMAN BOYER: You have questions. Okay.
3 Well, let's hear them.

4 CROSS EXAMINATION

5 BY MR. PROCTOR:

6 Q. Mr. Gregory, would you turn to line 62 of
7 your surrebuttal testimony, please?

8 A. I'm still getting used to the method here.
9 You say line 62, and I'm looking for page 62, and
10 saying, Okay.

11 Isn't it this, the lines being numbered?

12 Q. Numbered.

13 A. That's a very good approach.

14 Line 62?

15 Q. Surrebuttal testimony.

16 A. Yes.

17 Q. There you say, In future rate cases, the
18 focus of rate design should continue to be the
19 development of rates that encourage greater energy
20 efficiency.

21 And then you discuss the declining block
22 rates moving towards flat rates.

23 Is your testimony, then, that the focus of
24 rate design should be splitting classes in order to
25 encourage greater energy efficiency?

1 A. If we can develop rates with three classes
2 that have less dependence upon declining rates, yes.

3 Q. Now, Mr. Gardner asked you a question about
4 the number of commercial customers who may use less
5 than 45 decatherms a month. And you talked about
6 residential customers as a class typically though. I
7 don't believe you answered the question with respect to
8 commercial customers who use less than 45 decatherms a
9 month. Does that constitute a significant number of
10 Questar Gas's commercial customers?

11 A. I didn't look at that, but I have listened
12 and it's about 38 percent. Something like that. That
13 use less than 45.

14 Q. So, with respect to the amount of use -- and
15 may we presume seasoned -- seasonal use, there is a
16 category of customers that, regardless of whether they
17 pay four percent sales taxes or two percent sales
18 taxes, they use the gas in the same way. Correct?

19 A. Yes. I remember staying with the 45 and
20 less.

21 Q. And so our rate design, according to your
22 goal, would be to design a class where you can focus on
23 encouraging greater energy efficiency. Correct?

24 A. Yes.

25 Q. So would not that group of users, less than

1 45, decatherms a month, be a class that you could focus
2 specific energy efficiency mechanisms upon?

3 A. But the commercial class is using less than
4 45 will have the same rate as the residential. So I'm
5 not for sure I understand the question.

6 Q. Well, what's wrong with that?

7 A. There's -- I --

8 What's wrong with the under --

9 Q. What's wrong with it?

10 A. The 45 decatherm and less having the same
11 rate as --

12 Q. Yeah.

13 A. That's our proposal. So there's nothing
14 wrong with it.

15 Q. But you split it at 45, and you split it at
16 that point on the basis of whether somebody pays four
17 percent sales tax or two percent sales tax.

18 A. No, we split the classes based upon whether
19 they were considered residential using the tax method.

20 But as far as -- if you look at the proof of
21 revenue, you'll see that for the first 45 decatherms,
22 summer and winter, the rates are the same.

23 Q. Now, you were trying to keep small
24 customers, both commercial and residential, indifferent
25 to this rate split.

1 A. We recognized that that was the situation
2 now. So we -- we're trying as best we can to -- to --
3 to not distress the customers.

4 Q. Well, does -- right now, under the proposal
5 to split on the basis of a self-reported sales tax
6 status, does that have anything to do with the cost of
7 service for a com -- for a particular customer?

8 A. Well, not -- not directly, no.

9 Q. Even indirectly?

10 A. Indirectly it does, because, as I said, the
11 residential customers are a much more homogenous group
12 than the commercial customers.

13 Q. Homogeneous in the sense of the volume that
14 they use? The volume they use, they're more
15 homogenous?

16 A. In the volume they use and the way they use
17 it.

18 Q. Okay.

19 Now, is it the Division's intent, then, to
20 continue to refine their rate classes -- you mentioned
21 a commercial small, commercial large, and to also
22 include, within the criteria for those classes, other
23 general rate-making elements or components?

24 A. I think that would be the goal, yes.

25 Q. Well, if that's the case, sir, why would you

1 split this class on the basis of whether they pay
2 self-reported pay, four percent or two percent sales
3 tax, which has little, if anything, to do, directly on
4 indirectly, with the cost of service, or energy
5 efficiency mechanisms? Why would you split it now?
6 Why not do it right, and split it right the next time?

7 MS. SCHMID: Again, I would suggest that
8 this question would be more properly directed at
9 Mr. Barrow, who will be the Division 's policy witness,
10 not a hired consultant.

11 MR. PROCTOR: And this is the one who's on
12 the stand, and this is the witness that has testified
13 about it. I, like Mr. Gardner, am entitled to cross
14 exam.

15 CHAIRMAN BOYER: I think you're right.

16 MR. GARDNER: He's doing a better job.

17 MR. PROCTOR: This will be hopefully the
18 last question.

19 CHAIRMAN BOYER: We got one compliment in
20 the way we number lines is better than the other
21 commissions, so we're making some progress here.

22 Back to where we were. If you know the
23 answer to this, if you have an opinion on why split
24 these two types of customers who use the same amount of
25 gas, why split them out at all, why not just deal with

1 them as one class is I think the question.

2 Q. (BY MR. PROCTOR) The question is, why do it
3 now on the basis of an inappropriate criteria? Why
4 not do it right the next time, by using all of the
5 other criteria that you're going to be using anyway?

6 MS. SCHMID: Again, objection. I believe
7 that inappropriate criteria is a characterization of
8 Mr. Proctor's point of view and his client's point of
9 view, and not necessarily the point of view of the
10 witness.

11 CHAIRMAN BOYER: No, I think it's a fair
12 question. Because Mr. Gregory has suggested further
13 study, and that presumably will raise other issues and
14 factors and variables to study.

15 So go ahead and answer that question, if you
16 can still remember it.

17 THE WITNESS: The question being why not put
18 them all in the same class based -- based on their --
19 base these three categories on some different criteria?

20 Q. (BY MR. PROCTOR) No, my question is, why
21 not do it right the first time, the next time?

22 A. I think we are doing it right the first
23 time, actually.

24 What we want to do is -- is make it better
25 in the next rate case.

1 Q. But you've --

2 A. I think -- you know, there's -- I don't know
3 of very many commissions that don't have -- haven't
4 approved and used residential rates as a separate
5 category.

6 Q. That's not the question, Mr. Gregory.

7 A. The question being if these --

8 Q. The question --

9 Let me ask you this.

10 MS. SCHMID: Please let him finish.

11 Q. (BY MR. PROCTOR) Do you know of any other
12 jurisdiction where they use a self-reported sales tax
13 classification or status in order to determine what
14 rates you're going to pay for your natural gas use?

15 A. The Oklahoma Commission has used the sales
16 tax criteria for 30, 40 years to define the residential
17 classes.

18 Q. Are there any other criterias in order to
19 determine whether you're a resident -- residential or a
20 commercial user?

21 A. I've -- there were some changes if -- if --
22 generally it was a sales tax, but if there was a -- I
23 say an apartment complex, that, you know, that could be
24 determined if that customer was paying sales taxes.

25 But then that got resolved too, because the

1 state sales tax commission said, If they're serving
2 residential, they don't have to pay it. So that was
3 resolved. So, yeah, I do know of -- we dealt with that
4 a lot, in fact.

5 Q. Anywhere else?

6 A. That's one of the reasons that the -- it's
7 good to have the same rate on the smaller usage general
8 residential, because one utilities, because the rates
9 were -- commercial were a lot higher than for the
10 residential, was -- was trying to see if they had any
11 kind of business in their home, or attached to their
12 home, that had a component that should be a sales tax.
13 And they were moving them to the commercial rate so
14 they could make a little more money on it.

15 Yes. But the answer to your question is
16 yes, my home state uses it.

17 Q. Any others?

18 A. Any others?

19 Q. Any other jurisdictions?

20 A. I understood -- well, I don't know whether
21 they use specifically the tax codes, or whether they --
22 you know. Yeah. But I know that it's not unusual to
23 have a separate residential class and several
24 commercial classes.

25 MR. PROCTOR: Thank you very much.

1 CHAIRMAN BOYER: Okay. Thank you,
2 Mr. Proctor.

3 That didn't raise any questions for
4 Commissioner Allen.

5 Commissioner Campbell?

6 Nor I.

7 I know Mr. Barrow is really excited to
8 get -- you may step down, Mr. --

9 MS. SCHMID: I have some redirect.

10 CHAIRMAN BOYER: Redirect, please.

11 I'm just rushing here a little bit too fast.

12 Okay. Cross.

13 CHAIRMAN BOYER: A little redirect. My
14 fault. I will take the blame for that.

15 REDIRECT EXAMINATION

16 BY MS. SCHMID:

17 Q. You were asked a series of questions by
18 various attorneys concerning splitting the GS class
19 into GSC and GSR. Is that correct?

20 A. Yes.

21 Q. You were also asked a series of questions
22 regarding principles or important factors to consider
23 when a rate class split is made. Is that correct?

24 A. Yes.

25 Q. Is proper cost allocation and cost

1 causation, are those two principles important in
2 determining what should be an appropriate class of
3 rates?

4 A. Yes.

5 Q. And -- and is not -- is one of the goals to
6 avoid cross subsidization by various rate schedules?
7 Is that a tenet of rate-making principles?

8 MR. GARDNER: Objection. I think that's
9 beyond both the scope of the cross-examination that
10 Paul and I and the other attorneys questioned him on.

11 MS. SCHMID: Again, they opened the door.

12 MR. GARDNER: Not opened the door on block
13 shifting.

14 MS. SCHMID: I'm sorry, one more time?

15 MR. GARDNER: We did not open the door on
16 block shifting. At all.

17 MS. SCHMID: I'm not discussing block
18 shifting. I am discussing the breakdown of a class
19 into commercial and residential units.

20 CHAIRMAN BOYER: But you were just talking
21 about cross-subsidizations among -- I think that's what
22 you were saying.

23 MS. SCHMID: Yes.

24 CHAIRMAN BOYER: Cross subsidization.

25 MS. SCHMID: But my point is more to proper

1 allocation of customers in a class, and the rate design
2 that should be -- that should drive that split.

3 CHAIRMAN BOYER: I think you can ask that
4 question.

5 MS. SCHMID: Thank you.

6 CHAIRMAN BOYER: But I don't think the issue
7 of cross-subsidization came up in his testimony as he's
8 testified.

9 Q. (BY MS. SCHMID) Would you agree that proper
10 cost allocation and proper cost responsibility is an
11 important consideration of designing a rate class?

12 A. That's one of the important considerations
13 of designing rates.

14 Q. Is it true that you are not the policy
15 witness for the Division?

16 A. I'm not.

17 Q. And so you necessarily wouldn't know whether
18 or not the Division has formulated a position
19 concerning how the GSC and GSR classes should be
20 divided down the road.

21 You're not privy to the internal workings or
22 long-term strategy of the Division?

23 A. Oh, no, I'm not.

24 Q. Thank you.

25 A. That would -- I know there's a plan and I

1 support the plan, but there is --

2 Q. If there is a plan?

3 A. To find out what you want to do and how to
4 go about it. So that's definitely a policy decision.

5 MS. SCHMID: Thank you.

6 CHAIRMAN BOYER: Okay. Have I overlooked
7 anyone else? With respect to Mr. Gregory's testimony?

8 I -- you may step down now. Thank you.

9 THE WITNESS: Appreciate your time. And
10 patience.

11 CHAIRMAN BOYER: Thank you. And hope you
12 felt welcome here.

13 I don't think it makes a little sense to
14 begin with Mr. Barrows summary, and then divide that
15 from cross-examination.

16 I apologize to Mr. Barrow. You'll have to
17 put your witness suit on again tomorrow.

18 So we'll be in recess until 9 o'clock
19 tomorrow morning.

20 MS. SCHMID: Thank you.

21 (Whereupon, the deposition
22 was concluded at 5:00 p.m.)

23 * * *
24
25

1 STATE OF UTAH)
) ss
2 COUNTY OF SALT LAKE)

3

4 THIS IS TO CERTIFY that the foregoing
5 proceeding in the foregoing cause named, was taken
6 before me, DEBRA A. DIBBLE, a Certified Shorthand
7 Reporter and Notary Public in and for the State of
8 Utah, residing at Woodland, Utah.

6

7 That the testimony of said proceeding was
8 reported by me in Stenotype, and thereafter caused by
9 me to be transcribed into typewriting, and that a full,
10 true and correct transcription of said testimony so
11 taken and transcribed is set forth in the foregoing
12 annexed transcript.

10

11 I further certify that I am not of kin or
12 otherwise associated with any of the parties to said
13 cause of action, and that I am not interested in the
14 event thereof.

13

14 IN WITNESS WHEREOF, I have hereunto set
15 my hand this ___ day of
16 _____, 2008.

16

17 Debra A. Dibble, C.S.R., R.P.R.

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