

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the  
Application of Questar  
Gas Company to Include the  
Infrastructure Rate Adjustment

Docket 12-057-15

In the Matter of the  
Application of Questar Gas  
Company to Amortize the  
Energy Efficiency Deferred  
Account Balance

Docket 12-057-16

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HEARING  
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TAKEN AT: Heber M. Wells Building  
160 East 300 South, Room 451  
Salt Lake City, Utah 84111

DATE: Wednesday, November 21, 2012

TIME: 10:00 a.m. to 10:27 a.m.

REPORTED BY: Michelle Mallonee, RPR

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APPEARANCES

MELANIE A. REIF

Administrative Law Judge

For Questar Corporation:

JENNIFFER R. NELSON-CLARK, ESQ.

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FOR DIVISION OF PUBLIC UTILITIES:

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MARLIN BARROW

Technical Consultant

FOR THE OFFICE OF CONSUMER SERVICES:

ERIC ORTON, Utility Analyst

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November 21, 2012

PROCEEDINGS

THE COURT: Good morning, everyone. I'm Melanie Reif, Administrative Law Judge for the Public Service Commission.

This morning is the hearing in Dockets 12-057-15 entitled, "In the Matter of the Application of Questar Gas Company to Include the Infrastructure Rate Adjustment," and Docket No. 12-057-16, "In the Matter of the Application of Questar Gas Company to Amortize the Energy Efficiency Balancing Account."

We start with taking appearances, please.

MS. NELSON-CLARK: Jenniffer Clark on behalf of the Company. And I have with me Mr. Kelly Mendenhall, who will serve as the Company's witness.

THE COURT: Thank you.

MS. PAGE: Sheila Page, Assistant Attorney General, appearing for the Division of Public Utilities. And Marlin Barrow from the Division is present.

CHAIRMAN JOHNSON: Thank you, Ms. Page.

MR. ORTON: Eric Orton, here with the Office of Consumer Services without counsel.

THE COURT: Thank you, Mr. Orton.

Ms. Clark, this is your application. Would you like to proceed?

1 MS. NELSON-CLARK: I would. Questar Gas  
2 Company calls Mr. Kelly Mendenhall.

3 THE COURT: Mr. Mendenhall, are you prepared to  
4 testify this morning?

5 MR. MENDENHALL: Yes.

6 THE COURT: And will you please raise your right  
7 hand.

8 Do you swear that the testimony you are about to  
9 give is the truth?

10 MR. MENDENHALL: Yes.

11 THE COURT: Thank you.

12 You may proceed.

13 KELLY MENDENHALL, having been first duly  
14 sworn, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY-MS.NELSON-CLARK:

17 Q. Mr. Mendenhall, can you please state your full  
18 name and business address for the record.

19 A. Kelly B. Mendenhall. And my address is 333 South  
20 State, Salt Lake City, Utah.

21 Q. And what position do you hold with Questar Gas  
22 Company?

23 A. I'm the director of Regulatory Affairs for Questar  
24 Gas.

25 Q. And did you participate in and oversee the

1 preparation of the applications in Docket No. 12-057-15 and in  
2 Docket 12-057-16?

3 A. I did.

4 Q. Can you summarize for us the relief the Company  
5 seeks?

6 A. Sure. In Docket No. 12-057-15, the application of  
7 Questar Gas Company to include the infrastructure rate  
8 adjustment, the Company is proposing to adjust the  
9 infrastructure rate to include investment-related high pressure  
10 infrastructure replacement projects that were placed into service  
11 between August and October of 2012. There were two major  
12 projects that were completed during this time, Feeder Line 35 in  
13 Herriman, and Feeder Line 14 in Tooele County.

14 In its review of the filing, the Division of Public  
15 Utilities found a calculation error. The Company had used a  
16 test period ending October 2013, when it should have used a  
17 test period ending November 2013. The Division made the  
18 appropriate corrections in their memo, and the Company agrees  
19 with these changes. The adjustment made by the Division  
20 reduces the requested revenue by about \$46,000.

21 After including the Division's revisions, the  
22 Company is requesting a \$5.1 million increase in annual  
23 revenue. And if approved, this would increase the typical  
24 general service customer's annual bill by \$4.46 per year, or .67  
25 percent. The Company is proposing that this change be made

1 effective December 1, 2012.

2 In Docket No. 12-057-16, the application of Questar  
3 Gas to amortize the energy efficiency deferred account balance,  
4 the Company proposes to reduce the amortization amount from  
5 30 million to 24.4 million.

6 Currently, there's a balance of about \$13 million in  
7 this account, and this \$13 million is earning interest. In order to  
8 reduce this interest expense, it's the Company's goal to reduce  
9 the \$13 million balance to close to zero by the spring of 2014.  
10 The Company believes that setting the amortization rate to  
11 collect 24.4 million per year will allow us to reach this goal. If  
12 approved, the change in the rate will result in a \$4.62 or a .69  
13 percent annual decrease to the typical general service  
14 customer's bill. The Company is proposing that this change be  
15 made effective December 1, 2012.

16 If these two dockets are approved, the typical GS  
17 residential customer using 80 decatherms per year will see a  
18 decrease of about 16 cents per year on their bill. That  
19 concludes my summary.

20 Q. Mr. Mendenhall, with the change that you described  
21 to Docket No. 12-057-15, are the contents of the application in  
22 each of these dockets, as well as the attached exhibits, true and  
23 correct to the best of your knowledge?

24 A. Yes, they are.

25 MS. NELSON-CLARK: The Company would, then,

1 move for the admission of, in Docket 12-057-15, the admission  
2 of Exhibits 1.1, 1.2, 1.3, 1.4, and 1.5; and in Docket No.  
3 12-057-16, the admission of Exhibits 1.1, 1.2, 1.3, 1.4, and 1.5.

4 THE COURT: Thank you, Ms. Clark.

5 Is there any objection to the admission of the  
6 exhibits?

7 MS. PAGE: No objection, your Honor.

8 THE COURT: Okay. The Commission will admit  
9 those. And for clarification, let's refer to the first application  
10 and its accompanying exhibits as Questar Exhibit 1, and the  
11 second application and the accompanying exhibits as Questar  
12 Exhibit 2.

13 (Questar Exhibits 1 and 2 were admitted into the record.)

14 MS. NELSON-CLARK: Thank you.

15 Mr. Mendenhall is available for questioning.

16 MS. PAGE: We have no questions, your Honor.

17 THE COURT: Any questions from the Office?

18 Okay. I have a couple of questions, please.

19 CROSS-EXAMINATION

20 BY-THE COURT:

21 Q. Mr. Mendenhall, the Commission received from the  
22 Company the 2012 Feeder Line Replacement Budget apart from  
23 this docket. And in that document, Questar identifies a number  
24 of feeder lines and the estimated project costs.

25 And in reviewing the application in Docket



1 12-057-15, the Commission is attempting to understand the  
2 numbers and the feeder lines that are listed there in comparison  
3 to what's listed, in particular, in Exhibit 1.1 of the application for  
4 the rate increase.

5 A. Okay.

6 Q. Now, if I understood you correctly, you did say  
7 Feeder Lines 14 and 35 were completed?

8 A. Right.

9 Q. Okay. So help me understand how that information  
10 is reflected in the exhibit that was submitted by Questar.

11 A. Okay. So if you turn to--let me see. I've got to find  
12 the filing here.

13 Exhibit 1.1, shows the detail of all these projects.

14 Q. All right.

15 A. And so if you go to Feeder Line 35, it should show  
16 when those projects were being put into place. So if I'm looking  
17 in Column Z, double A, and AB on page 4 of 5, and I go down  
18 to Row 26, it looks--actually, it looks like we may have the--it  
19 says "Feeder Line 71," but that should be "Feeder Line 35."  
20 Looks like we may have a labeling issue on this exhibit.

21 Do you have the revised version from the Division,  
22 the revised exhibits?

23 Q. I have what was filed by the Company.

24 A. Okay.

25 Q. And I also have the Division's report with the

1 exhibits.

2 A. Okay. Well, maybe I can just walk you through it,  
3 then. I think if you go to Line 29, that should be --

4 Q. Line 29 of the Company's exhibit?

5 A. Yeah. If you go to Exhibit 1.1, page 4, Line 29,  
6 that description says, "Feeder Line 71."

7 Q. Yes.

8 A. That should be "Feeder Line 35," I believe. In fact,  
9 I know it should be "Feeder Line 35." And Feeder Line 14, if  
10 you go up to Row 22, where it says, "Feeder Line 24," that  
11 should be "Feeder Line 14."

12 And I believe the model, or the exhibits filed by the  
13 Division, have the correct titles. So I can either--I can either  
14 submit a copy of that to you right now to help you, you know, to--  
15 so you have the right reference points.

16 Q. What I'm trying --

17 A. Or I can give it to you later.

18 Q. What I'm trying to understand is the document that  
19 was filed, the 2012 Feeder Line Replacement Budget.

20 A. Right.

21 Q. What I'm looking at there, I'm attempting to--

22 A. --right. Compare the budget with what we spent.

23 Q. I'm looking at it for a frame of reference.

24 A. Yeah.

25 Q. And it seemed like there were several of the feeder

1 lines that weren't listed, or that--not necessarily that they  
2 weren't listed, but that the numbers were different.

3 A. Right.

4 Q. So perhaps having a corrected exhibit to work off of  
5 would certainly be helpful.

6 A. I would agree with you.

7 THE COURT: Ms. Clark?

8 MS. NELSON-CLARK: The Company would be  
9 happy to submit such an exhibit later today to the parties and to  
10 the Commission, if that's acceptable.

11 BY THE COURT:

12 Q. Okay. And is it your testimony, Mr. Mendenhall,  
13 that the amounts that were projected have, indeed--or would be  
14 reflected in the revised exhibit, that they are close in  
15 comparison?

16 A. Yeah. The dollars are correct. It's just I think we  
17 had a, you know, a row--a row or two were off. And so the  
18 numbers are correct, it's just a matter of lining up the correct  
19 project.

20 If you want, I can quickly walk you through what we  
21 spent versus the annual report, if that's helpful.

22 Q. I think that would be good.

23 A. Okay. So you have the 2012 Feeder Line  
24 Replacement Budget that was filed November 12, 2011. Is that  
25 what you're working off of?

1 Q. Yes.

2 A. Okay. So if we go to page 1 of that report and we  
3 look at Row 1, Feeder Line 14. Feeder Line 14--so I'm going to  
4 try and reconcile the exhibit you have with the exhibit I have.

5 So if you go to Line 22, you'll see in Column AB an  
6 expense of \$12,860,503. That is the amount that we have spent  
7 on Feeder Line 14 in 2012. So that amount would compare to  
8 the 16,500,000 in Column F, Line 1 of page 1, Exhibit 1 of the  
9 annual budget--or annual--yeah, the Feeder Line Replacement  
10 Budget.

11 Q. Okay. And Mr. Mendenhall, just to correct--just to  
12 be sure that the report does reflect this, that the exhibit that has  
13 been entered into evidence, which is marked "Questar Exhibit  
14 No. 1," the internal exhibit within that, marked "Exhibit 1.1," on  
15 page 4 of 5 on Row 22, referencing "Feeder Line 24" is actually  
16 "Feeder Line 14"?

17 A. Correct.

18 Q. Okay. Thank you very much.

19 A. Umm-hmm. So 16.5 was a projected cost, and 12  
20 million is what we've closed through October.

21 If you move on to Feeder Line 23. We closed a  
22 few--we've closed 23 in a few different months. So if you go to--  
23 -let's see, Row 23, where it says, "Feeder Line 26," that would  
24 be "Feeder Line 23." So we closed \$2.2 million in July of 2012.  
25 We closed \$107,000 in August of 2012. And we closed

1 \$125,000 in September of 2012. And that would compare to the  
2 2.5 million that we projected in our budget on Exhibit 1 of the  
3 budget.

4 Q. Okay. Thank you. And the Commission takes  
5 notice of that correction to your exhibit. Thank you for that.

6 A. Umm-hmm. Moving on to Feeder Line 25. Not  
7 seeing Feeder Line 25.

8 Q. There is a Feeder Line--

9 A. Oh, okay--

10 Q. --25 on--

11 A. --there it is--

12 Q. --Row 16.

13 A. Yea. Okay. Yeah. So Feeder Line 25  
14 on--if you go to Row 17, that should be Feeder Line 25.

15 So you can see we spent, in July, 11.9 million; in  
16 August, 127,000; in September, 652,000. And actually, we may  
17 have spent--so we may have closed some the prior month as  
18 well. Let me look. No.

19 So those are the total expenses there. So that  
20 would be roughly 12.8 million, 12.9 million.

21 Q. And what about Feeder Line 35 and Feeder Line  
22 50?

23 A. Yeah. So Feeder Line 35 would be, if you go to  
24 Row 29.

25 Q. Okay.

1 A. Feeder Line 25, in September, we closed 27.9  
2 million. In October, we closed 534,000. That would relate to  
3 the 27 million in the budget.

4 Q. And Feeder Line 50, I don't think I saw that listed.

5 A. Feeder Line 50. I don't believe we did work on  
6 Feeder Line 50, due to some right-of-way issues. So I believe  
7 that's been pushed back to 2013. Let me check. I've got the  
8 2013 budget here.

9 Yeah. That's correct. So Feeder Line 50 has been  
10 pushed back to 2013. So it was not worked on in 2012. Well, it  
11 was worked on, but it was not closed and put in service in 2012.

12 Q. Okay. Thank you. That's very helpful. I  
13 appreciate you going through that.

14 A. And I apologize for the problems with the project  
15 names and the dollars. There's no way you could have, yeah,  
16 compared the two the way that exhibit shows right now.

17 Q. Well, thank you very much for the clarification. It  
18 helps tremendously.

19 With the corrections made on the record to the  
20 Company's application, does the Division have any concerns or  
21 questions about those corrections?

22 MS. PAGE: Not on the corrections, your Honor.

23 THE COURT: Okay. Does the Division have any  
24 issues with any of Mr. Mendenhall's testimony?

25 MS. PAGE: No.

1 THE COURT: Okay. I do want to open up  
2 questions for the subsequent docket, the 12-057-16 docket.  
3 And just to be clear, I do want to let the parties go first if they  
4 have any questions.

5 Ms. Page, do you have any questions?

6 MS. PAGE: On 20-16?

7 THE COURT: On 12-057-16, the energy efficiency?

8 MS. PAGE: No, we don't.

9 THE COURT: Okay. Thank you.

10 With respect to that docket, Ms. Clark, I wanted to  
11 ask a couple of questions, please, of your witness, Mr.  
12 Mendenhall. Let me orient myself a bit here first.

13 FURTHER CROSS-EXAMINATION

14 BY-THE COURT:

15 Q. It's my understanding that--and Mr. Mendenhall has  
16 testified and it's reflected in the Division's report as well--that  
17 it's the aim to bring the energy efficiency balance account to  
18 zero over a three-year period. That's correct?

19 A. Yes, that's correct.

20 Q. Okay. And with the proposed amortization rate at  
21 24.4 million, and considering next year's DSM budget and the  
22 existing 13.4 million energy efficiency balance, what does the  
23 Company estimate the balance of the account will be by the end  
24 of the current heating season?

25 A. By the end of the current heating season, which

1 would be March of 2013, we would assume the balance will be  
2 down to about 4.4 million, assuming that this docket is  
3 approved.

4 Q. Okay.

5 THE COURT: And does the Division concur in that  
6 estimate?

7 MR. BARROW: The Division hasn't really taken a  
8 look at what the balance would be at the end of the heating  
9 season yet. We did not review that.

10 THE COURT: Okay. Those are all the questions  
11 that I have.

12 Ms. Page?

13 MS. PAGE: I don't have any questions on Docket  
14 12-057-16.

15 THE COURT: Okay. And you were going to call  
16 your witness for--

17 MS. PAGE: Yes. The Division would call Marlin  
18 Barrow, technical consultant.

19 And Mr. Barrow--

20 THE COURT: Ms. Page, let me go ahead and  
21 swear Mr. Barrow in first.

22 Mr. Barrow, good morning. Are you prepared to  
23 testify this morning?

24 MR. BARROW: Yes, I am.

25 THE COURT: Okay. Would you please raise your



1 right hand.

2 Do you swear that the testimony you are about to  
3 give is the truth?

4 MR. BARROW: Yes.

5 THE COURT: Thank you.

6 Please proceed.

7 MS. PAGE: Thank you.

8 MARLIN BARROW, having been first duly sworn,  
9 was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY-MS.PAGE:

12 Q. Mr. Barrow, could you tell the Court what your  
13 position is with the Department--or with the Division of Public  
14 Utilities? And if you have a position on behalf of the Division,  
15 would you please tell the administrative law judge what that is  
16 and the basis for that.

17 A. Yes. I serve as a technical consultant for the  
18 Division of Public Utilities.

19 Regarding these two applications, the Division does  
20 recommend the Commission approve the application as revised  
21 by us in Docket 12-057-15, which noted a correction of about  
22 \$46,000 reduction in their revenue that was requested in the  
23 original application by Questar.

24 Regarding Docket 12-057-16, the DSM  
25 amortization, the Division recommends that also be approved.

1                   The Division recommends, in the approval of these  
2 two dockets, that these rates be approved on an interim basis  
3 until the Division can actually complete the audits. Right now,  
4 the Division is in the process of preparing to audit the  
5 infrastructure tracker. We hope to have that audit completed by  
6 March. That will include all of the projects to date in the  
7 infrastructure that have been filed. And they are also in the  
8 process of reviewing the DSM application and reviewing those  
9 projects. So when those audits are completed, we will issue  
10 memos with our findings and make a recommendation as to  
11 whether to make the rates final or not at the time.

12                   THE COURT: Thank you. Any questions for Mr.  
13 Barrow?

14                   MS. NELSON-CLARK: No, thank you.

15                   THE COURT: Okay.

16                   Mr. Orton?

17                   MR. ORTON: Thank you. In Docket 12-057-15, the  
18 Office does not object to the interim approval of the request in  
19 this docket as corrected.

20                   In Docket 12-057-16, the Office does not object to  
21 the interim approval of the request as filed. Thank you.

22                   THE COURT: Thank you for that clarification.

23                   Ms. Page, coming back to you--I'm sorry, we're  
24 jumping around a little bit. I thought maybe Mr. Orton had  
25 questions for Mr. Barrow. But nevertheless --

1 MR. ORTON: Oh, sorry.

2 THE COURT: That's okay. That's okay. You're  
3 fine.

4 I wanted to ask whether the Division wishes to have  
5 its memo admitted into evidence. And if so, now would be a  
6 good time to address that.

7 MS. PAGE: Yes. We would move the Division's  
8 prepared memorandum and recommendations regarding  
9 12-057-15 and Docket 12-057-16 admitted into evidence today.

10 THE COURT: Your request is granted. And I will  
11 mark this exhibit Division Exhibit No. 1.

12 (Division Exhibit 1 was admitted into the record.)

13 THE COURT: And I do wish to ask one question of  
14 Mr. Barrow, please.

15 CROSS-EXAMINATION

16 BY-THE COURT:

17 Q. On page 2 of the Division's report, there is a--it is  
18 in the third full paragraph, starting with, "If the two applications  
19 are approved." And it states that, "The combined net decrease  
20 will result in a difference of 17 cents."

21 Is that the Division's position? Is that a typo,  
22 perhaps?

23 A. That's just due to rounding. When I did my  
24 calculation, it came up to 17 cents. I think if you do a  
25 mathematical calculation of the two applications, it's actually a

1 decrease of 16 cents. But it was just a rounding in Excel, the  
2 way the model rounds numbers.

3 Q. Okay. Thank you for that clarification, Mr. Barrow.  
4 I, in fact, was doing it by mathematical figures. I thought that  
5 there might be a one-cent difference.

6 For simplicity's sake, because it could make a  
7 difference to rate payers one way or the other, would it be  
8 acceptable if we amend this to 16 cents?

9 A. I have no problem with that.

10 MS. PAGE: That would be fine, your Honor. We'd  
11 ask that be done.

12 THE COURT: And is that acceptable to the  
13 Company?

14 MS. NELSON-CLARK: Yes.

15 THE COURT: All right. Take notice of that change.  
16 And are there any other issues or questions for the  
17 Commission this morning before the Commission rules?

18 MS. NELSON-CLARK: I just want to clarify whether  
19 it would be useful to the Commission or the parties for the  
20 Company to submit a substitute exhibit Questar Gas Company  
21 Exhibit 1, Sub-exhibit 1.1, reflecting those changes described by  
22 Mr. Mendenhall today?

23 THE COURT: I think that would be very helpful.

24 MS. NELSON-CLARK: We'll do that. Thank you.

25 THE COURT: Sure. Thank you very much.

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Thank you, everyone, for your testimony today. The Commission authorizes the change effective December 1, and an order will be forthcoming to memorialize that.

Hope you have a very nice holiday. And thank you for coming this morning. Have a good day.

(The hearing concluded at 10:27 a.m.)

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CERTIFICATE

State of Utah )

ss.

County of Salt Lake )

I, Michelle Mallonee, a Registered Professional Reporter and Notary Public in and for the State of Utah, do hereby certify:

That the proceedings of said matter was reported by me in stenotype and thereafter transcribed into typewritten form;

That the same constitutes a true and correct transcription of said proceedings so taken and transcribed;

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action, and that I am not interested in the event thereof.

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Michelle Mallonee, RPR, CSR