Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114

September 4, 2013

RE: Questar Gas Company Rate Increase Case – Docket No. 13-057-05

Dunford Bakers, Inc. (Dunford), a local bakery operating in Utah for over 80 years, questions the rationale and methodology behind the proposed increase in TS rates, questions whether any TS rate increase is appropriate, and if so, why any approved rate increase isn't phased in.

After attending the Technical Conference on August 13, and asking a few questions, I decided to apply the same type of Questar rationale and methodology to our donut business. I took monthly administrative and operating expenses and explored several ways of changing the allocation of those costs. I found that I could easily show data that small customers have been subsidized and would "justify" increasing donut prices to our small customers by more than 371%. But is charging small customers four times what large customers pay for a donut fair and right? Wouldn't that be unconscionable?

But have our large customers really been subsidizing small customers? I realized that if we eliminated our smallest customers nearly all of the costs that had been allocated to them so they would be paying their fair share would remain. Total costs would only be reduced slightly. So why not continue to allocate only those small incremental additional costs to small customers and keep their cost of a donut relatively close to what large ones pay? Isn't that more fair and right? Shouldn't that same philosophy apply to Questar?

While Questar can provide data and rationale that small TS customers should pay their fair share with 371% rate increases, is that the fair and right thing to do? Are small TS customers really responsible for all the costs Questar says is their fair share? If those small customers went away, would Questar costs decrease by the amount Questar claims they have caused and is their fair share? Dunford doesn't think so.

An analysis of the filed TS rate for Dunford Bakers, prepared by Questar on August 28, raises other questions about the appropriateness of the proposed TS rate increase. Why are proposed Questar Gas transportation charges 5.5 times pipeline transportation charges, 3.4 times supplier charges, and 28% of actual gas costs when larger customers could pay as low as 3% of actual gas costs (9 times higher %)? I can understand fees about equal to those charged by Questar Pipeline or our supplier but how can charges multiple times greater be justified? Since our supplier provides gas under a firm contract, why should Questar be able to assess firm demand charges for transport of the same gas?

Just because Questar can provide data and rationale to dramatically increase small customer TS rates, is that sufficient reason to switch from the previous methodology used for decades? Hasn't Questar been testifying for decades that all rates have been fair and no one has been subsidized? Why is the previous methodology used for decades unfair and unreasonable? Isn't the $4,500 administrative charge and meter based customer charge in reality more than sufficient to cover incremental costs of small TS customers?

In the August 13 meeting, Questar personnel indicated that there was basically no increased cost caused by a company switching from a GS or FS rate to a TS rate. The implication is that if one or more of the smaller TS customers leave or go out of business Questar costs will not be reduced much. If that is the case and Questar's total costs wouldn't decrease significantly if small TS customers were gone, why is a 371% rate increase to small TS customers justified and the right thing to do? Is any increase justified? Is Questar trying to stem the movement of customers to the TS rate schedule?

If Questar is not seeking to reduce or eliminate competition, as their employees stated, but just trying to have everyone pay their fair share, why is the proposed rate increase coming at a time when smaller customers have been switching to the TS rate in increased numbers? Why did employees at the meeting state that the company had looked at prohibiting further switching to the TS rate but had decided not to take that route? Why did Questar prepare a slide showing that the 371% rate increase for small TS customers who recently switched to that rate would not really be that high because of rate reductions experienced when they switched to TS? Don't the above indicate that Questar in reality has been concerned about and is trying to stop movement to the TS rate schedule and reduce competition from other gas companies?

There is a saying that budgeting is the uniform distribution of dissatisfaction. The Questar proposal certainly doesn't seem to follow that axiom. It appears to hit small TS customers dramatically harder than any others and should entitle them to be very dissatisfied. When I served for seven years as the State Budget Director under Governor Bangerter, I would not have even considered recommending, nor would the Governor or Legislature have approved, a tax or fee increase to anyone of 371%.

Bakeries operate on small margins. Any significant utility cost increases will be felt on Dunford's bottom line since bakery prices can't be raised. Under Questar's rationale and proposed rate increases, it appears large regional and national bakery competitors may have a significant advantage with much lower utility rates. Is that the kind of impact on smaller local companies Questar and the Public Service Commission want to champion?

In conclusion, Dunford questions the rationale and methodology behind the proposed increase in TS rates, questions whether any rate increase is appropriate with a $4,500 administrative fee in place, and if so, why any approved rate increase isn't phased in. Why is the previous methodology used for decades unfair and unreasonable? If small TS customers went away, would Questar costs decrease by the amount Questar claims they cause and is their fair share? Isn't a 371% rate increase unconscionable? Can Questar transportation costs 5.5 times pipeline transportation costs be justified? If any TS cost increase can be justified, especially a sizable one, shouldn't it be phased in over time as is generally done to lessen the immediate impact? Please contact me if you have questions.

Dale Hatch, CFO