BEFORE

THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas
Company to File a General Rate Increase

Direct Testimony of Dale Hatch

On behalf of

DUNFORD BAKERS, INC.
Re: Proposed TS rate increase

Docket No. 13-057-05

October 30, 2013

DIRECT TESTIMONY OF DALE HATCH

Introduction

Q. Please state your name, title, business address, and previous employment.

A. Dale Hatch, Chief Financial Officer (CFO) for Dunford Bakers, Inc., 8556 S 2940 W, West Jordan, UT 84088 (dhatch@dunfordbakers.com). I previously served as State Budget Director under Governor Bangerter, Attorney for Ray, Quinney, and Nebeker in Salt Lake City, Utah and CPA with Deloitte, Haskins, & Sells in Phoenix, Arizona.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of my employer, Dunford Bakers, Inc., regarding Questar Gas Company's (QGC) proposed TS rate increase.

Overview and Conclusions

Q. What are your recommendations?

A. I recommend adoption of perhaps the fairest QGC TS rate structure -- continue to charge the annual $4,500 administrative fee to differentiate between sizes of customer but eliminate any firm demand charge and then add a uniform rate charge to all TS customers irrespective of volume as is done for pipeline charges to the city gate. If that isn't adopted, the current TS rate structure should be maintained as it is fairer to smaller TS customers than proposed rates. Any significant increase should be phased.

Q. Your recommendations are based on what conclusions?

A. An analysis of the proposed and current TS rate structures has led me to the following conclusions: (1) the huge differential in costs per dekatherm to smaller TS customers cannot be justified on a fairness basis; (2) if a small TS customer were to stop ordering gas, QGC costs would not decrease by the amount of the proposed charges to that customer; (3) the multiple of the proposed QGC transport charges per mile from the city gate over those to the city gate cannot be justified; (4) if the proposed TS rate structure were applied to the donut business, the costs of a donut to smaller customers would be unconscionable; and (5) QGC's assessment of firm demand charges to TS customers amounts to a double charge because those customers already have firm contracts with independent suppliers.

Analysis

Q. What analysis did you perform?

A. Based on QGC current and proposed rates and information from Summit Energy that it is 28 miles from the city gate servicing Dunford, that it is 355 miles from the gas fields to the city gate and the cost of transporting gas to the city gate is $0.17832 per Dth, regardless of volume, I calculated QGS transport charges to five TS rate companies. I assumed that the five TS rate companies are located contiguously next to Dunford Bakers and one uses 10,000 Dths per year, one 20,000 (Dunford is closest to this level), one 200,000, one 2,000,000, and one 20,000,000 Dths.

Q. What did the analysis show?

A. Calculations, excluding any demand charges, showed that: (1) the total proposed QGC costs/charges per Dth, respectively, would be about $1.29, $0.98, $.38, $0.22, and $0.11 and the current charges would be about $0.74, $0.48, $0.25, $0.16, and $0.08, respectively; (2) under the current rate structure, QGC costs per mile to deliver gas to its largest customers from the city gate are about 5 times the costs of pipeline delivery to the city gate and that under the proposed TS rate structure that multiple in costs would jump to about 8 times as much cost per mile; (3) the multiple per transported mile costs noted in paragraph (2) above under the proposed TS rate structure would be about 92, 70, 27, 16, and 8, respectively and under the current rate structure are about 53, 34, 17, 11, and 5, respectively; and (4) if Dunford charged its largest customers $1 per donut and were to apply the same methodology QGC is proposing, it would charge large customers about $2 each, smaller customers, $3 per donut, even smaller customers (similar in size to Dunford) $9, and the smallest customers about $11 per donut. Those prices would not be permitted or fair in the bakery industry and similar pricing should not be allowed for transporting gas under TS rates. How can a rate increase of 371% to smaller TS customers, the increase mentioned in the August 13 Technical Conference, be allowed?

EXHIBIT ATTACHED