

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

**IN THE MATTER OF THE JOINT)
NOTICE AND APPLICATION OF)
QUESTAR GAS COMPANY AND) DOCKET NO. 16-057-01
DOMINION RESOURCES, INC. OF)
PROPOSED MERGER OF QUESTAR)
CORPORATION AND DOMINION)
RESOURCES, INC.**

**DIRECT TESTIMONY
OF
GAVIN MANGELSON
FOR THE OFFICE OF CONSUMER SERVICES**

JULY 7, 2016

DIRECT TESTIMONY OF GAVIN MANGELSON

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INTRODUCTION2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**3 A. My name is Gavin Mangelson; I am a Utility Analyst for the Office of Consumer
4 Services (Office). My business address is 160 East 300 South, Salt Lake City, Utah
5 84111.6 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**7 A. I received a B.A. in Economics from the University of Utah. I previously worked as
8 a Financial Analyst for the Department of Technology Services; where my duties
9 involved the creation of rates that were subject to approval by a government
10 appointed commission. I have completed a Utility Analyst training course from New
11 Mexico State University. In my capacity with the Office I have submitted comments
12 in over thirty-five dockets and testimony in dockets 14-057-19, 14-057-31, and 15-
13 057-10.14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**15 A. The purpose of my testimony is to provide the position of the Office regarding the
16 proposed merger; specifically that the merger should be denied because the
17 application has not demonstrated that ratepayers will gain net benefits, or be
18 adequately protected from harm. I will also introduce the other witnesses testifying
19 on behalf of the Office in this docket.20 **Q. PLEASE IDENTIFY THE OTHER WITNESSES TESTIFYING ON BEHALF**
21 **OF THE OFFICE, AND DESCRIBE THE SUBJECT OF THEIR**
22 **RESPECTIVE TESTIMONIES.**

23 A. The Office has retained Mr. Lane Kollen and Mr. Richard Baudino of J. Kennedy and
24 Associates, Inc., both experts on mergers and acquisitions of regulated utilities. Mr.
25 Kollen’s testimony will address the merger application generally, including issues of
26 transition costs, transaction costs, savings, corporate governance, and how costs and
27 savings will be accounted for. Mr. Baudino will testify regarding the credit quality
28 and service quality risks to ratepayers resulting from the proposed merger. Both of
29 these experts will also provide proposals for conditions to the merger agreement that
30 are necessary to protect and provide benefit to ratepayers if the merger agreement is
31 to be approved.

32 **Q. WHAT IS BEING PROPOSED IN THIS DOCKET?**

33 A. The primary proposal in this docket is to allow Questar Gas Company (Company) to
34 be part of a merger between Dominion Resources, Inc. (Dominion) and Questar
35 Corporation, thereby becoming a wholly owned subsidiary of Dominion. The joint
36 application for the merger also requests to defer the transition costs for future
37 recovery.

38 **Q. HOW HAVE SPECIFIC DETAILS OF THE PROPOSED MERGER BEEN**
39 **COMMUNICATED TO THE INTERVENING PARTIES?**

40 A. Information has been provided through the joint application filed in this docket, a
41 technical conference conducted by the Public Service Commission of Utah
42 (Commission) and through responses to Data Requests from intervening parties.

43 **Q. DO THE JOINT APPLICANTS MAKE THE CLAIM THAT UTAH**
44 **RATEPAYERS WILL BENEFIT FROM THIS MERGER?**

45 A. Yes, paragraph No. 58 of the joint application states, “The merger is in the public
46 interest and will provide benefits to Questar Gas customers and to Utah.”

47 **Q. WHAT SPECIFIC BENEFITS HAVE BEEN IDENTIFIED BY THE**
48 **APPLICANTS?**

49 A. There are currently no specific, quantifiable benefits to Utah ratepayers identifiable
50 from the joint application, technical conference, or data request responses.

51 **Q. HOW HAVE BENEFITS TO UTAH RATEPAYERS BEEN CONSIDERED IN**
52 **OTHER MERGERS BROUGHT BEFORE THE COMMISSION?**

53 A. In the Scottish Power/PacifiCorp merger and the MidAmerican/PacifiCorp merger
54 (dockets 98-2035-04 and 05-035-54 respectively) the Commission applied a net
55 positive benefit standard in determining the acceptability of the proposed merger.
56 This means that harm in any form resulting from the merger must be considered in
57 conjunction with quantifiable benefits, and that the benefits afforded to ratepayers
58 must outweigh the harm in order for the merger to be acceptable. This standard
59 should be applied to the proposed merger with Dominion as well.

60 **Q. DOES THE PROPOSED MERGER PRESENT ANY RISK OF HARM TO**
61 **UTAH RATEPAYERS?**

62 A. Yes, the specific risks will be identified and explained in the testimonies of the
63 Office’s retained experts Mr. Kollen and Mr. Baudino.

64 **Q. MR. KOLLEN’S TESTIMONY OPPOSES THE JOINT APPLICANTS’**
65 **REQUEST TO TRACK AND DEFER TRANSITION COSTS (SEE LINES 806**
66 **TO 862.) DOES THE OFFICE HAVE ANY ADDITIONAL CONCERNS**

67 **ABOUT THE JOINT APPLICANTS’ REQUEST FOR DEFERRED**
68 **ACCOUNTING?**

69 **A.** Yes. The Office asserts that the request is not consistent with the guidelines for
70 deferred accounting requests that have been set forth by the Commission.

71 **Q.** **WHAT PARAMETERS HAS THE COMMISSION ESTABLISHED IN**
72 **DETERMINING WHETHER OR NOT COSTS SHOULD BE ALLOWED**
73 **FOR DEFERRAL AND FUTURE RECOVERY?**

74 **A.** In its September 13, 2010 Order in Docket No. 10-035-38 regarding a request for
75 Accounting Order sought by Rocky Mountain Power pertaining to post-retirement
76 prescription drug coverage tax benefits, at page 6, the Commission indicated that
77 “Such an order can be justified when unforeseeable and extraordinary changes in
78 expenses occur.” The order referenced Report and Order in Docket Nos. 06-035-163,
79 07-035-04, 07-035-14, issued January 3, 2008, at pages 15 – 17, identifying the
80 Commission’s discussion of guidelines for implementing an accounting order to
81 capture a change in utility expenses for future amortization and recovery in rates.
82 The Commission has made it clear in the Report and Order in Docket Nos. 06-035-
83 163, 07-035-04, 07-035-14, at pages 15 and 16 that for a deferral to be approved, the
84 change in expense should be unforeseeable and result in an extraordinary increase in
85 a utility’s expenses. The expenses should also have an extraordinary effect on the
86 utility’s earnings. While the merger at issue in this proceeding may have been
87 unforeseeable at the time of Questar’s last general rate case, the Company has not
88 demonstrated that the increase in expenses it is seeking to defer result in an

89 “extraordinary increase” in Questar’s expenses or have an extraordinary impact on its
90 earnings.

91 **Q. SHOULD THE COMPANY’S REQUEST TO DEFER THE TRANSITION**
92 **COSTS FOR FUTURE RECOVERY BE APPROVED?**

93 A. No. In addition to the problems articulated in Mr. Kollen’s testimony, the Company
94 has not demonstrated that it has met the Commission’s guidelines for implementing
95 an accounting order to capture a change in utility expense for subsequent recovery in
96 future rates. The Company’s requested deferral lacks specificity as the Company
97 has not clearly defined the costs it is seeking to defer. Also, the Company has
98 provided no information demonstrating that the costs it seeks to defer are material and
99 reach an extraordinary level that would warrant the special accounting treatment
100 being requested.

101 **Q. DOES THE OFFICE BELIEVE THAT THIS MERGER IS IN THE PUBLIC**
102 **INTEREST AS IT HAS BEEN PROPOSED?**

103 A. No. The Joint Applicants’ have not demonstrated any net benefits to ratepayers nor
104 does their proposal protect ratepayers from being harmed by the merger. However,
105 the Office’s expert witnesses, Mr. Kollen and Mr. Baudino, have recommended in
106 their testimonies a number of additional conditions for the Commission to implement
107 prior to approving the requested merger. These recommended conditions should be
108 incremental to the commitments offered by the Joint Applicants, with the exception
109 of those elements of the proposal that the Office has otherwise asked the Commission
110 to reject.

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112 **Q. WOULD THE OFFICE BELIEVE THE MERGER IS IN THE PUBLIC**
113 **INTEREST IF THE COMMISSION IMPOSES ALL OF THE OFFICE'S**
114 **RECOMMENDED CONDITIONS?**

115 **A.** The Office believes that potential harm to ratepayers could be minimized if adequate
116 conditions are imposed on the proposed merger. The Office supports all of the
117 conditions summarized in Exhibit OCS_1.1D. Before taking a final position, the
118 Office will review any other conditions proposed in both the Utah and Wyoming
119 dockets.

120 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

121 **A.** Yes.