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BEFORE THE PUBLIC SERVICE COMMISSION
OF UTAH

IN THE MATTER OF:)
)
Joint Application of Questar)
Gas Company, the Division of)Docket Number:
Public Utilities, and Utah)
Clean Energy for the Approval)05-057-T01
of the Conservation Enabling)
Tariff Adjustment Option and)
Accounting Orders)

September 19, 2007 * 9:30 a.m.

Location: Public Service Commission
160 East 300 South, Suite 500
Salt Lake City, Utah

Commissioners:
Ted Boyer, Chairman
Ric Campbell
Ron Allen

Reporter: Diana Kent, CSR, RPR, CRR
Notary Public in and for the State of Utah

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2
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1 Also Present:

2 FOR UTAH CLEAN ENERGY:

3 Sarah Wright

4 FOR SALT LAKE COMMUNITY ACTION PROGRAM AND
5 CROSSROADS URBAN CENTER:

6

Betsy Wolf

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W I T N E S S I N D E X

10	KEVIN HIGGINS:	PAGE
11	Direct Examination by Mr. Dodge	236
	Examination by Commissioner Campbell	240
12	Examination by Commissioner Allen	243
	Examination by Commissioner Boyer	244
13		
	DAVID DISMUKES:	PAGE
14	Direct Examination by Mr. Proctor	246
15	Cross Examination by Mr. Dodge	268
	Cross Examination by Mr. Monson	269
16	Examination by Commissioner Allen	348
	Examination by Commissioner Campbell	352
17	Examination by Commissioner Boyer	355
18	CLOSING ARGUMENTS:	
19	By Ms. Bell	382
	By Ms. Schmid	385
20	By Mr. Dodge	390
	By Mr. Evans	391
21	By Mr. Proctor	395

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E X H I B I T S

WITNESS	EXHIBIT NUMBER	ADMITTED
Kevin Higgins	UA 1R	237
David Dismukes	"As marked and listed on the pleadings"	256
	Questar Cross 1 - Georgia Power Company Policy Recommendations 3.7	347
	Questar Cross 2 - House Bill 7432, Section 107	347
	Questar Cross 3 - Data Request to CCS	347

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

2

3 COMMISSIONER BOYER: Let's go back on the
4 record.

5 This is the continuation of the hearing in
6 docket number 05-057-T01 dealing with the Questar Gas
7 Conservation Enabling Tariff. And per agreement
8 among the parties yesterday, I believe we are going
9 to proceed first with Kevin Higgins and then
10 Dr. Dismukes.

11 MR. DODGE: Thank you.

12 COMMISSIONER BOYER: Mr. Higgins, you are
13 already sworn in this proceeding?

14 MR. HIGGINS: I am not.

15 COMMISSIONER BOYER: Would you please
16 raise your right hand.

17

18 Kevin Higgins,
19 called as a witness, being first sworn,
20 was examined and testified as follows:

21

22 MR. DODGE: By way of clarification, Mr.
23 Higgins did submit direct testimony in the prior
24 phase. I believe that was admitted by agreement
25 without him being sworn in, which is I believe why he

26

1 was not sworn in in the prior phase.

2

3

DIRECT EXAMINATION

4

BY MR. DODGE:

5

Q. Mr. Higgins, would you give your name and
6 business address.

7

A. My name is Kevin C. Higgins. My business
8 address is 215 South State Street, Suite 200, Salt
9 Lake City, Utah, 84111.

10

Q. And you're employed by whom?

11

A. Energy Strategies.

12

Q. And you are providing testimony in this
13 docket on behalf of whom?

14

A. UAE, Utah Association of Energy Users.

15

Q. And did you cause to be filed eight pages
16 of rebuttal testimony in this docket?

17

A. Yes, I did.

18

MR. DODGE: Mr. Chairman, we have
19 premarked that UA Exhibit 1R. And we would move --
20 first, foundation.

21

Q. (By Mr. Dodge) Is that your testimony
22 here in this proceeding?

23

A. Yes, it is.

24

Q. Do you have any changes or corrections for
25 that?

26

1 A. Yes, I have a correction to make. On page
2 8, the last page of the testimony, the question on
3 line 19 asks me if this concludes my direct
4 testimony. Please strike "direct" and insert
5 "rebuttal." And similarly, the header from pages 2
6 through 8 indicates "direct testimony," so please
7 strike that and "insert rebuttal."

8 Q. Any other changes?

9 A. No.

10 Q. As corrected, does this represent your
11 testimony in this proceeding?

12 A. Yes, it does.

13 MR. DODGE: Mr. Chairman, I'd move the
14 admission of UAE Exhibit 1R.

15 MR. PROCTOR: No objection.

16 COMMISSIONER BOYER: Any objection?

17 MS. BELL: No objection.

18 MS. SCHMID: No objection.

19 COMMISSIONER BOYER: Okay. UA Exhibit 1R
20 as corrected is admitted into evidence.

21 MR. DODGE: Thank you.

22 Q. (By Mr. Dodge) Mr. Higgins, could you
23 provide a brief summary of your testimony?

24 A. Yes. UAE has filed its position
25 statements in this docket, expressing its members'

26

1 opposition to revenue decoupling. At the same time.
2 UAE chose to neither support nor oppose the
3 stipulation that led to the adoption of a CET pilot
4 program.

5 In this phase of the proceeding I have
6 filed rebuttal testimony relating to a single issue.
7 That issue is Dr. Hansen's recommendation on page 24
8 of his report that there is no need to consider a
9 reduction in Questar Gas Company's allowed rate of
10 return to account for changes in risk associated with
11 the adoption of revenue decoupling. I recommend that
12 the Commission give no weight to this conclusion.

13 On page 5 of his surrebuttal testimony,
14 Dr. Hansen clarifies that his report only addresses
15 the question of shifting of risk from the company to
16 customers as opposed to the reduction of the
17 company's risk attributable to revenue decoupling.
18 As such, the rate of return recommendation in Dr.
19 Hansen's report completely sidesteps the most
20 fundamental question with respect to the relationship
21 between allowed return on equity, risk, and revenue
22 decoupling.

23 Consequently, I continue to recommend that
24 the Commission give no weight to Dr. Hansen's rate of
25 return recommendation, despite his clarification that
26

1 Section 5.2 of his report offers no conclusions with
2 respect to whether the CET will reduce Questar Gas's
3 risk or the reductions in Questar Gas's risk that can
4 be attributed to the CET should be accompanied by a
5 reduction in Questar Gas's rate of return.

6 Q. Thank you. Mr. Higgins is available for
7 cross.

8 COMMISSIONER BOYER: Let's start with
9 Ms. Bell, then. Ms. Bell?

10 MS. BELL: May I have just one minute?

11 COMMISSIONER BOYER: You may.

12 MR. PROCTOR: And Mr. Chairman, I think it
13 would be friendly cross from me, and I have none.

14 COMMISSIONER BOYER: About the end of my
15 term as chairman, I will figure out how to operate
16 one of these hearings. Thank you.

17 MS. BELL: No questions.

18 COMMISSIONER BOYER: Ms. Schmid?

19 MS. SCHMID: No questions.

20 COMMISSIONER BOYER: I guess there's no
21 need for redirect?

22 MR. DODGE: Doesn't look like it. Thank
23 you.

24 COMMISSIONER BOYER: Commissioner Allen,
25 any questions for Mr. Higgins?

26

1 COMMISSIONER ALLEN: No, not at this time.

2 COMMISSIONER BOYER: Commissioner

3 Campbell?

4 EXAMINATION

5 BY COMMISSIONER CAMPBELL:

6 Q. Can't let you go that easy.

7 A. Thank you so much.

8 Q. Just a couple questions. First of all,
9 you weren't here earlier in the hearing, but I'd be
10 interested to know what your viewpoint would be if,
11 in the next rate case, we were to separate the GS
12 class between residential and commercial customers
13 and have two separate rate classes. Is that
14 something that your group would oppose?

15 A. I don't think so. I have believed for
16 some time it would probably be a good separation.

17 Q. And a couple other questions along with or
18 related to this risk reduction. The first one is
19 have you seen anywhere on this record where we could
20 actually calculate what that is and make some sort of
21 adjustment based on what we have on this record?

22 A. Commissioner Campbell, I don't see
23 sufficient evidence on this record to make that kind
24 of determination. I believe the determination would
25 most properly be made in the context of a general

26

1 rate case proceeding where all the factors affecting
2 the appropriate return and equity could be
3 considered.

4 Q. And are you comfortable with waiting for
5 whenever the Company files that general rate case?
6 Or should the Commission out of docket order a rate
7 case as part of the CET so that these issues can be
8 addressed timely and -- I guess as I look at the
9 Division's recommendation, if they don't file by
10 December 2008, maybe they should file and three years
11 have gone by. And if there truly are business risks
12 or reduction of business risks customers should be
13 compensated for -- what is your feeling about the
14 timing of addressing this issue?

15 A. That's a great question but it has
16 multiple parts to it, I think. I think the first
17 part asked about the appropriateness of making an
18 adjustment or recognizing that an adjustment is
19 desirable perhaps sooner rather than later. And in
20 my direct testimony that I filed at the outset of
21 this proceeding, I expressed objections to adopting a
22 single issue ratemaking item that reduced the
23 Company's risk without considering the full
24 ramifications for a return on equity. So my general
25 answer to you is that I do not think it's generally

26

1 good policy to go ahead with single issue ratemaking
2 adjustments without taking into account return on
3 equity.

4 That said, UAE opted not to oppose the
5 stipulation when it went forward. That puts us in a
6 position of being concerned about the mechanism while
7 not actively opposing the three-year pilot program.
8 So with that background, I move to the next part of
9 your question which is should the company be ordered
10 to file a rate case sooner rather than later. My
11 answer to that is as follows: With respect to the
12 single issue reflecting the reduction in risk in the
13 return on equity, viewing that in isolation I would
14 concur with the thrust of the question which is that
15 perhaps a rate case should occur sooner rather than
16 later. But I will qualify that answer by saying that
17 a rate case generally brings with it many other
18 issues that have to be addressed. And for UAE
19 customers generally, they do not see rate cases as
20 positive. So I would say that even though on the
21 single issue of the treatment of the CET and its
22 relationship to the return on equity, a rate case
23 held sooner rather than later is a good thing.

24 Taken in totality, UAE members generally
25 view rate cases in a negative light. They are

26

1 expensive to litigate and they generally have
2 increased rates as a result, although that's not
3 always been the case.

4 COMMISSIONER BOYER: Commissioner Allen
5 has a question, Mr. Higgins.

6 COMMISSIONER ALLEN: Thank you, Mr. Chair.

7

8 EXAMINATION

9 BY COMMISSIONER ALLEN:

10 Q. Commissioner Campbell's line of
11 questioning suddenly jogged my memory here.

12 Real quickly, this has to do with return
13 on investment, and I want to get some background
14 information as we move forward, and I certainly
15 understand your talking about the context of this
16 possibly in a future rate case. But Robert Camfield
17 has a proposed method of addressing this issue in the
18 calculations in Dr. Hansen's appendix. You point
19 that out in your testimony.

20 A. Yes.

21 Q. I'm curious, is his four-step program
22 largely theoretical or have people applied that in
23 practice?

24 A. To my knowledge I view it as conceptual.
25 I am not aware of anyone applying it in practice,

26

1 although it may have been.

2 Q. Okay. Thank you.

3

4 EXAMINATION

5 BY COMMISSIONER BOYER:

6 Q. Mr. Higgins, I did have a couple of
7 questions. One was on the timing of filing a rate
8 case, and that's been asked and answered. And I
9 apologize that my second question goes beyond the
10 scope of your rebuttal testimony, but if you have
11 thought about this and have an answer. At least the
12 Division of Public Utilities has suggested
13 continuation of the CET, and if we were to do that,
14 they have suggested -- we had a cap on both accrual
15 and amortization, and they suggested removing one and
16 not the other. Have you any thoughts on either
17 leaving the caps in place or adjusting them in any
18 manner?

19 A. The removal of the caps is an incremental
20 change in the direction of potentially greater
21 impacts on customers. It's a change from the initial
22 proposal, the initial stipulation. I would see that
23 change as moving contrary to the position of UAE,
24 which was not to do this in the first place. So that
25 would be my -- that's my response to that question.

26

1 COMMISSIONER BOYER: Thank you very much.

2 Mr. Dodge, anything?

3 MR. DODGE: No further questions.

4 COMMISSIONER BOYER: Mr. Higgins, you may
5 be excused.

6 MR. HIGGINS: Thank you, Mr. Chairman.

7 MR. PROCTOR: Mr. Chairman, if you would
8 give me a moment to distribute these.

9 COMMISSIONER BOYER: Certainly.

10 MR. PROCTOR: If I could explain what has
11 happened. Mr. Chairman, yesterday we distributed an
12 exhibit list, and then having reviewed our exhibit
13 list and the way we have numbered it and indicated by
14 the other parties, the way they have numbered theirs,
15 we realize we were duplicating the original phase
16 testimony by Dr. Dismukes. So we have made that
17 change.

18 And the second document that I'm handing
19 out will address any corrections to Dr. Dismukes's
20 testimony, but I wanted to make certain that everyone
21 got a copy of it.

22 COMMISSIONER BOYER: Thank you,
23 Mr. Proctor.

24 MR. PROCTOR: And I provided one to the
25 reporter. And Mr. Chairman, these are going to be

26

1 the substituted changed pages for his testimony on
2 corrections.

3 COMMISSIONER BOYER: Yes. Thank you.

4 MR. PROCTOR: May we proceed?

5 COMMISSIONER BOYER: You may. And I
6 believe Dr. Dismukes is still under oath.

7

8 DIRECT EXAMINATION

9 BY MR. PROCTOR:

10 Q. Dr. Dismukes, if you would please state
11 your name and business address.

12 A. My name is David E. Dismukes. My business
13 address is 6455 Overton Street, Baton Rouge,
14 Louisiana.

15 Q. By whom are you employed, sir?

16 A. The Acadian Consulting Group.

17 Q. And what is the nature of your consulting
18 practice?

19 A. We provide economic and regulatory
20 consulting services to state public utility
21 commissions, consumer advocates, and attorney
22 generals.

23 Q. Do you hold an advanced degree?

24 A. Yes, sir, I do.

25 Q. In what field?

26

1 A. I have a Ph.D. in Economics.

2 Q. For how long have you been engaged in a
3 consulting practice in connection with utility
4 regulation?

5 A. I have been employed in utility regulation
6 since the beginning of my career in 1988, for roughly
7 close to 19 years now.

8 Q. At any time during that experience, were
9 you employed by any governmental regulatory agency?

10 A. Yes, sir, I was.

11 Q. Which ones?

12 A. I was employed as a Florida Public Service
13 Commission staff economist.

14 Q. You were retained by the Utah Committee of
15 Consumer Services in connection with this docket,
16 05-057-T01 in what month and year?

17 A. I believe it was in the fall of --
18 actually in the early part of 2005. 2006?

19 Q. I believe it was 2006.

20 A. 2006, excuse me.

21 Q. And what did the Utah Committee of
22 Consumer Services ask you to do?

23 A. To provide an expert opinion on the
24 proposed Conservation Enabling Tariff that had been
25 filed by the Joint Applicants in this proceeding.

26

1 Q. And it's my understanding, it's on the
2 record that you have earlier filed testimony in
3 connection with the original application. Correct?

4 A. Yes, sir, that's correct.

5 Q. And have you prepared testimony in
6 connection with this proceeding that began yesterday
7 and through today?

8 A. Yes, sir.

9 Q. What studies, analysis, and other work
10 have you engaged in in order to prepare the testimony
11 that will shortly be introduced?

12 A. I think over the last -- probably roughly
13 since the beginning of 2005, 2006 when this became an
14 issue, I have reviewed an extensive number of public
15 utility regulatory orders, literature and articles
16 that have been written both in the early '80s and
17 1990s associated with revenue decoupling and the
18 various mechanisms used during that time period;
19 various different testimonies and filings that have
20 been made by parties on the broader classes of
21 revenue neutrality throughout various different
22 states, as well as a number of different surveys on
23 the existing status of revenue neutrality programs in
24 different parties.

25 Q. Within that same period of time, sir, have
26

1 you been retained by other agencies or private
2 industry in order to address before other utility
3 regulatory commissions similar issues involving
4 revenue decoupling and neutrality mechanisms?

5 MR. MONSON: Mr. Chairman, I am going to
6 interpose an objection here because this is new
7 testimony.

8 COMMISSIONER BOYER: I think he is just --

9 MR. PROCTOR: Qualifying him as a witness.

10 COMMISSIONER BOYER: -- qualifying that he
11 is an expert.

12 MR. MONSON: He is asking him stuff that's
13 not in his testimony, I think.

14 COMMISSIONER BOYER: He is asking the
15 degree to which he has participated in other hearings
16 that are similar to this. I don't think we have got
17 to the substance of his testimony yet. I'm going to
18 overrule it. You can renew that if you'd like.

19 MR. PROCTOR: I'll quickly move on.

20 Q. (By Mr. Proctor) Have you, in this period
21 of time, been providing assistance to other
22 regulatory agencies or private industry in connection
23 with revenue decoupling or revenue neutrality
24 mechanisms?

25 A. Yes, sir, I have. I have provided expert
26

1 witness testimony on issues associated with straight
2 fixed variable rate design and a SEMCO energy rate
3 case in Michigan on behalf of the Michigan Attorney
4 General, which is listed on Attachment 1 of my direct
5 testimony. I've also provided advisory work to the
6 NASUCA, the National Association of State Utility
7 Consumer Advocates, on revenue neutrality issues and
8 many of those presentations are listed in Attachment
9 1 to my testimony.

10 Q. Dr. Dismukes, do you have before you a
11 pleading entitled Exhibit List of the UTAH Committee
12 of Consumer Services that begins with Exhibit Number
13 CCS Dismukes 2.0?

14 A. I do not have that in front of me.

15 MR. PROCTOR: If I may, Mr. Chairman, ask
16 that the spelling of the exhibit be corrected because
17 I think I misspelled it.

18 THE WITNESS: I do have this in front of
19 me now.

20 COMMISSIONER BOYER: You have permission
21 to spell correctly.

22 MR. PROCTOR: Thank you.

23 Q. (By Mr. Proctor) Dr. Dismukes, have you
24 filed in this proceeding, pre-filed, written
25 testimony as identified on this exhibit that consists
26

1 of direct testimony marked as Exhibit CCS Dismukes
2 2.0 with attachments marked in order Exhibit CCS
3 Dismukes 2.1, excuse me, 2.01 through and including
4 2.17?

5 A. Yes, sir.

6 Q. And have you also submitted pre-filed
7 written testimony that has been marked as CCS
8 Dismukes 2.0R, rebuttal testimony, with the
9 accompanying exhibits of 2.01R through and including
10 2.4R?

11 A. Yes, sir.

12 Q. And finally, have you submitted pre-filed
13 written testimony marked as CCS Dismukes 2.01SR,
14 surrebuttal testimony, and the accompanying exhibits
15 marked CCS Dismukes 2.1SR through and including
16 2.5SR?

17 A. Yes, sir, I have.

18 Q. Do you have any corrections to make to any
19 of the testimony or exhibits?

20 A. Yes, sir, I have a few small minor
21 corrections to some of the exhibits that were filed
22 in my direct testimony. I believe you handed those
23 out to the parties earlier. Most of those have to do
24 with small editorial typographical changes.

25 Q. I want to go through them. Do you have a
26

1 copy?

2 A. Yes, sir, I do.

3 Q. Let's go through the first one, and it is
4 CCS Exhibit 1.1. And was that attached to your
5 direct testimony?

6 A. Yes, sir.

7 Q. And I believe it should be re-marked as
8 Exhibit 2.1. Is that correct, in keeping with the
9 adjustment we made to the number?

10 A. Yes, sir, I believe that is correct.

11 Q. What is the correction you wish to make to
12 that Exhibit?

13 A. On the far right, and it should be circled
14 in the handouts that went out, there was a
15 typographical error. Rather than \$13,914,900 that
16 should be 100 instead of 900.

17 Q. In the packet that was handed out, the
18 second page, does that include a clean copy of the
19 corrected exhibit?

20 A. Yes, sir, it does.

21 Q. And the next exhibit is marked as Exhibit
22 2.7. Is that also to your direct testimony?

23 A. Yes, sir.

24 Q. So that should be marked as Exhibit 2.7.
25 What are the corrections that you have made there?

26

1 A. There were some formula changes, and if
2 you look on about the third row, fourth and fifth
3 columns there were numbers that changed because of
4 formula changes. In particular the third row, fourth
5 column should be, instead of .061 percent it should
6 be .612 percent. And in the column next to it,
7 rather than .107 percent it should be 0.806 percent.
8 And then directly beneath those, the changes should
9 be rather than 3.697 percent it should be .061
10 percent. And in the column next to that, rather than
11 3.840 percent, it should be .107 percent.

12 Q. Is there any change to the bottom row
13 Total Estimated Participation?

14 A. I do not believe so, sir.

15 Q. Could you explain, please, the difference
16 in the formula or what the formula was and why these
17 numbers need to be corrected?

18 A. I think just for presentation purposes the
19 wrong number got copied into this.

20 Q. Okay. Thank you. And again, there is a
21 revised Exhibit. It would be 2.7 that contains the
22 revision, correct? That is the next page to the
23 packet?

24 A. That's correct. Yes, sir.

25 Q. The next exhibit has been marked as CCS

26

1 Exhibit 1.15. Is that also to your direct testimony?

2 A. Yes, sir.

3 Q. And what is the correction made there?

4 A. It is similar in nature to the one we
5 discussed earlier. Over in the box in the far left-
6 hand corner you will see a number about halfway down,
7 \$13,914,900. That should be 100. It was a
8 transposition error from a typographical error
9 earlier.

10 Q. And the next is marked as revised Exhibit
11 CCS 1.15, also to your direct testimony, so it would
12 be 2.15. What are the corrections that are made
13 there?

14 A. I think we just went through that. The
15 next one has that change.

16 Q. I apologize. The next is CCS Exhibit 1.17
17 to your direct testimony, so it would be 2.17. What
18 corrections have you made there?

19 A. In that, there are a number of changes in
20 the two rows that have been listed. The total
21 starting number should be, rather than \$88,692,051,
22 it should be \$87,864,443. In the second row that
23 makes a change, rather than 785,746, it should be
24 778,414. There are some small changes that get
25 carried through that I have not listed in the

26

1 following rows. In the row 11, Net Revenue Impact of
2 Repression, the number on the left, rather than
3 \$2,873,744, rather than the 744 it should be 410.
4 And rather than \$1,864,385, that number should be 169
5 instead of 385 at the tail end of that number.

6 At the bottom, the Net Operating Income
7 Impact of Repression, rather than being \$1,832,586,
8 it should be \$1,832,374. And on the right-hand
9 column it should be, rather than \$1,188,918, it
10 should be \$1,188,780.

11 Q. Dr. Dismukes, could you explain to the
12 Commission, please, the reasons for these changes?

13 A. Again, I think these were some
14 transposition issues in terms of entering the numbers
15 in the schedule.

16 Q. Now, do any of the changes that you have
17 made to those exhibits change the answer that you
18 provided in the testimony referring to these
19 exhibits?

20 A. No, sir.

21 Q. Do you have any other changes or
22 corrections that you wish to make to any of your
23 testimony; direct, rebuttal or surrebuttal?

24 A. No, sir, I do not.

25 Q. If I were to ask the same questions of you
26

1 today that you have answered in your testimony, would
2 your answer remain the same?

3 A. Yes, sir, they would.

4 MR. PROCTOR: The Committee would move the
5 admission of the exhibits as marked and as listed on
6 the pleading.

7 COMMISSIONER BOYER: Any objection to
8 admission of these exhibits?

9 MR. MONSON: We previously filed our
10 objection, and my understanding from the Commission's
11 ruling at the start of the hearing was that that was
12 overruled.

13 COMMISSIONER BOYER: And we will revisit
14 that at the end of the hearing today, assuming we
15 finish today, and see if you need to -- see if you
16 were adequately able to respond through live
17 surrebuttal testimony which we permitted, or if you
18 will need to file a pleading afterward.

19 Okay. The three exhibits, then, as
20 identified by Mr. Proctor, together with the
21 associated attachments as corrected are admitted into
22 evidence. Thank you.

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

24 Q. (By Mr. Proctor) Dr. Dismukes, have you
25 prepared a summary of your testimony to provide to

26

1 the Commission?

2 A. Yes, sir, I have.

3 Q. Could you please provide that?

4 A. Yes, sir.

5 Good morning, Mr. Chairman and
6 Commissioners. This is my first time testifying in
7 Utah, so it's certainly a privilege to be here and
8 enjoy the weather that you all have up here.

9 What I'd like to do in my summary, I know
10 you have read the testimony, is just hit some of the
11 big picture topics and kind of carry the weighty
12 point I would like to make, or at least have driven
13 home from the testimony I have provided throughout
14 the course of this particular proceeding.

15 In looking at revenue decoupling
16 mechanisms, I think they are overly broad approaches
17 in attempting to address not only the issues
18 associated with incentives on energy efficiency and
19 demand-side management, but also those associated
20 with use per customer. In my opinion, there are
21 certainly some clear benefits to regulating
22 utilities, particularly in this instance with the CET
23 in the Company, but in many instances there are
24 questionable benefits to ratepayers through these
25 mechanisms. And I think without corresponding

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1 changes or offsets or other types of adjustments,
2 these really can't result in fair, just, and
3 reasonable rates for ratepayers.

4 I think in looking at this energy
5 efficiency issue and how it is related to revenue
6 decoupling, and in terms of providing the incentives
7 associated with promoting energy efficiency services,
8 if you look at the dollars that we are talking about
9 in terms of lost revenue associated with this, they
10 are certainly relatively small compared to the
11 overall amounts that we are looking at in the broader
12 CET. If you look right now in the estimates that I
13 have provided in some of my schedules, in any given
14 year those numbers could be as large as \$500,000 for
15 that particular year just associated with the DNG
16 revenue losses associated with demand-side
17 management.

18 Now, that is a very small number and in my
19 opinion something much easier to get a handle on
20 through a lost revenue adjustment mechanism as
21 opposed to something overly broad and overly designed
22 like the CET and revenue decoupling in general. It
23 would be very easy, and I think a very constructive
24 point, to tie this to the monitoring and verification
25 plans that the Company has and is going to be filed

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1 before this Commission at some point in the future.

2 I think looking at monitoring verification and
3 finding out what the true energy efficiency savings
4 have been during the course of the program, and tying
5 those actual activities to the lost revenues provides
6 a better mixing and matching of the performance in
7 demand-side management and those revenue recoveries.

8 In addition, I think you have heard plenty
9 of testimony throughout the course of this
10 proceeding. It's also an overly broad mechanism, I
11 think, for addressing the use per customer problems,
12 and there's certainly other approaches that can be
13 utilized just as effectively in addressing this
14 issue, particularly through a forecasted test year.
15 The usage per customer trends have been changing for
16 a pretty long time now. I think if you look at some
17 of the exhibits that have been provided by the
18 company, you'll see those trends. It's something
19 that's been recognized in the industry for a while.

20 What are the big differences that have
21 changed over the last couple of years that have made
22 this a much more emphasized and more dramatic issue?
23 I think it's all about prices. And I think if you
24 look at this issue and you look at really some of the
25 motivating factors, it's been just recently that we

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1 have seen some very high and exaggerated increase in
2 natural gas prices. You take that and couple that
3 with some of the changes we have seen in use per
4 customer and it makes for a pretty dramatic mix for
5 many local distribution companies, and I think one of
6 the reasons you have seen this policy motivation for
7 looking at revenue decoupling in general.

8 Think about the time periods in which we
9 have seen an acceleration of these types of programs
10 being promoted. It's been in 2004, 2005, and 2006
11 time periods. Those are certainly time periods which
12 I'm sure you recognize that natural gas prices have
13 been increasing at an escalating rate. Obviously we
14 had our first run-up in gas prices in 2000 and 2001.
15 But if you recall, we had a diminishing period from
16 '01 to about '03 or '04. And then 2004, 2005 into
17 recent periods, we had exaggerated changes in the
18 prices. And when you take very large changes in
19 prices, even coupled with very small changes in
20 customer responsiveness, even looking at very small
21 price elasticity estimates, they can result in some
22 relatively larger changes in usage.

23 If you take, for instance, the example
24 that was referenced earlier in terms of looking at
25 about roughly a 40 percent change in price that

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1 occurred since the 2000, 2001 run-up, and you couple
2 that with a relatively modest long-term price
3 elasticity of .2, you will find that you are looking
4 at an overall change of about 8 percent on use per
5 customer basis. That's on a use per customer basis,
6 not on a total use basis.

7 MR. MONSON: Can I interrupt for just a
8 minute? I'm sorry, Dr. Dismukes. I think
9 Dr. Dismukes for the last two or three minutes has
10 been drifting away from anything he said in his
11 testimony. We weren't quite sure, but now he clearly
12 is. He is now offering calculations and things that
13 he never provided before. So this isn't a summary of
14 his testimony.

15 MS. SCHMID: And if the Division may join
16 in that objection. The .08 we believe is new, as
17 well as other things. Sorry. The .2.

18 COMMISSIONER BOYER: Mr. Proctor? I don't
19 believe I read .2 in the --

20 MR. PROCTOR: This is a summary, number
21 one. And this particular motion has already been
22 ruled upon by the Commission. If, in fact, this is
23 beyond his testimony in the sense that he, in his
24 rebuttal testimony, was not responding or in his
25 surrebuttal not responding to rebuttal - which we

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1 vehemently disagree with and I think that I could put
2 together very quickly an example of why that is so
3 wrong - but in any event, if that is, in fact, the
4 basis of this objection, this Commission has ruled
5 upon it. He is entitled to provide a summary of his
6 testimony, which he is doing. And everything that he
7 has here and says here is certainly subject to
8 cross-examination and the subsequent motion that you
9 permitted the Division and Questar to file if they
10 believe they have been unfairly treated.

11 But it is equally unfair, in light of this
12 Commission's order denying their initial request, to
13 permit Counsel to interrupt the summary. So I think
14 he should go on.

15 COMMISSIONER BOYER: The question I have
16 is, is the .2 price elasticity in the surrebuttal?

17 MR. MONSON: That's the problem. I'm not
18 making this objection based on --

19 DR. DISMUKES: It is in this exhibit right
20 here, if you want to turn to it. It is Exhibit -- I
21 have rounded for math here. It is .21, but I was
22 using the .2.

23 COMMISSIONER BOYER: I thought I had
24 recalled reading that in one of the exhibits. I'm
25 going to permit you to continue.

26

1 We will give you the opportunity to
2 respond if you haven't had an adequate opportunity.
3 Go ahead, Doctor.

4 A. So again, if you were looking at that, you
5 were looking at roughly about an 8 percent change. 8
6 decatherms times 800,000 that we were looking at in
7 terms of total customers, roughly, is certainly a
8 substantial amount. What is that? 6.4 billion cubic
9 feet of gas over that time period. That's a
10 significant change in usage during that period from a
11 total usage perspective.

12 So I think in looking at the aggregation
13 of these numbers, I think there's often a fallacy in
14 that process, and some of those numbers need to be
15 looked at more closely.

16 Also, I think in looking at my testimony
17 that I outline, if you look at the most recent study
18 that was done by the American Gas Association, they
19 recognized -- I mean, one of the reasons for looking
20 at this study was the impact of price changes on the
21 price elasticity of demand and whether it had changed
22 before the 2000/2001 heating season and after. The
23 study concluded that there hadn't been any material
24 change in that overall elasticity, but noted that the
25 significant changes in use per customer that had

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1 occurred, about 57 percent of that was associated
2 with price. And the remaining portion of that was
3 associated with some of these longer term trends in
4 efficiencies and the technological gains that we had
5 seen in appliance standards and other changes in the
6 economy.

7 So certainly price is an important issue.
8 It's been discussed I think pretty extensively in
9 this proceeding. And I think that in looking at the
10 price elasticity of demand as a reflection of
11 customer responsiveness to prices, that we shouldn't
12 go too far down the field of these being very small
13 numbers and being insignificant. They certainly are
14 significant, and I think one of the motivating
15 factors for looking at issues like revenue
16 decoupling.

17 Again, I think that if you really wanted
18 to look at how to deal with these use per customer
19 changes overall and how they react, there certainly
20 is this mechanism that exists within the forecast
21 attached here, and something that the Company can
22 certainly avail itself of on a foregoing basis.

23 The other thing I would highlight is just
24 because everyone is doing it, doesn't necessarily
25 make this the best policy in the world. I think if
26

1 you look at kind of the progress of revenue
2 decoupling right now, where states are going with
3 this, there tends to be an equal balancing. We tend
4 to increase in numbers with one state adopting and
5 one state rejecting. And while it is the case that
6 we are probably around the 11 or 12 mark of states
7 that have adopted the revenue neutrality, we have
8 another 11 or 12 that have rejected it for equally
9 enthusiastic reasons as those that have adopted it,
10 and certainly for reasons that have concerned many of
11 those commissions, as well.

12 This is also a mechanism, as I discussed
13 earlier in my testimony, that many of us that have
14 the opportunity to work in the power industry are
15 familiar with. This is something that was utilized
16 and was discussed quite extensively during 1988 to
17 1992 for electric utilities, and it is a policy that
18 is not very well utilized anymore. If it was
19 something, in my opinion, that had longer-run legs
20 that were more in keeping with traditional
21 regulation, it's probably a mechanism you would have
22 seen been maintained throughout most of the 1990s for
23 electric utilities. And we certainly haven't seen
24 that in the electric industry, as well.

25 Lastly, it has been my testimony that I

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1 don't think maintaining the CET, particularly in this
2 current format, can result in fair and just and
3 reasonable rates. I think that there needs to be
4 some corresponding offsets for some of the risk
5 shifting activities that I have discussed in my
6 testimony, that have been discussed in this
7 proceeding today. The broad decoupling revenue
8 nature that trues up revenues without looking at
9 costs in my opinion violates some of the basic
10 matching principles that we have typically used in
11 regulation where we try to true-up rates with
12 corresponding revenues and their comparable cost
13 during the same time periods.

14 There's this big issue that I have noticed
15 in this proceeding and other proceedings associated
16 with revenue decoupling and revenue neutrality that
17 gets very short shift that hasn't been looked at by
18 anybody, and it is certainly research that I think
19 needs to be done, and that is what are the issues
20 associated with intraclass discrimination and how
21 does this impact smaller customers, smaller use
22 customers and less disadvantaged customers, as well.

23 In terms of my recommendation, what I'd
24 like to recommend, my primary recommendation is that
25 we discontinue the use of the CET; that we, in turn,

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1 replace that with a lost revenue adjustment
2 mechanism; and that we use the use per customer
3 changes that have been talked about throughout this
4 proceeding and address those in the next rate case
5 through the forecasted test year.

6 If you all decide to maintain the CET,
7 then I would recommend adopting the Division's
8 recommendations for the cap and at least in this
9 proceeding making an explicit finding about the
10 nature, that there is some nature of risk shifting
11 associated with the adoption of proposals like this
12 and it's something that needs to be addressed in the
13 next rate case.

14 That concludes my summary and I look
15 forward to your questions after cross-examination.

16 MR. PROCTOR: Dr. Dismukes is available
17 for cross.

18 COMMISSIONER BOYER: Before we commence
19 that, just for the record, on page 15 of Dr. Dismukes
20 surrebuttal testimony, line 325 there is a reference
21 to that negative .2175 price elasticity.

22 To the extent, Dr. Dismukes, that you have
23 any friends in this proceeding it might be Mr. Dodge.
24 Have you any cross-examination for Dr. Dismukes?

25 MR. DODGE: I actually do have some cross
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1 on an issue where we might have a slightly different
2 view.

3

4 CROSS EXAMINATION

5 BY MR. DODGE:

6 Q. Dr. Dismukes, good morning.

7 A. Good morning.

8 Q. Your primary recommendation is
9 discontinuation of the CET, and then I think you
10 followed that up with a recommendation for a lost
11 revenue adjustment.

12 A. Yes, sir.

13 Q. There's been some concern expressed about
14 the complexities of a lost revenue adjustment. If
15 the Commission were not sold on that recommendation,
16 but still concluded with you that the CET was not the
17 appropriate mechanism, do the other options you have
18 discussed, the use of a future test year and/or
19 accounting for DSM expenses, or anything like that,
20 in your mind provide a reasonable alternative?

21 A. To address the --

22 Q. To address the concern about encouraging
23 DSM programs and not unduly punishing the company, if
24 you will, to that extent.

25 A. Yes, sir. I mean, you could use the

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1 forecasted test year to account for changes
2 associated with demand-side management, and
3 incorporate those sales losses in your projected
4 billing rate determinants. And so that would be
5 another method you could use.

6 Q. Thank you. No further questions.

7 COMMISSIONER BOYER: Okay. Let's now
8 commence with the Company's cross examine. Are you
9 going to handle that, Mr. Monson?

10 MR. MONSON: I am. Thank you.

11 COMMISSIONER BOYER: Please proceed.

12

13 CROSS EXAMINATION

14 BY MR. MONSON:

15 Q. Good morning, Dr. Dismukes.

16 A. Good morning.

17 Q. You are the only witness for the Committee
18 in this case; is that right?

19 A. Yes, sir, that's correct.

20 Q. So does that mean you are the policy
21 witness for the committee?

22 A. I do not know:

23 Q. Do you know what I mean when I say "policy
24 witness"?

25 A. No, sir, I do not.

26

1 Q. Okay. What I mean by that is if you were
2 to, in answer to Mr. Dodge's question or in answer to
3 the Commission's questions, to take a position, would
4 that position be binding on the Committee?

5 A. No, sir, it would not.

6 Q. Have you spoken to the members of the
7 Committee about this case?

8 A. In what regard? I'm not clear.

9 Q. I'm just wondering, do you know who the
10 members of the Committee are?

11 A. Oh, the actual Committee? I know Betsy
12 Wolf is one of them. I don't know the other members.

13 Q. So have you talked to Ms. Wolf about the
14 case?

15 A. No, sir, I have not.

16 Q. So you haven't talked to any of the
17 Committee members, then. So I assume, then, the
18 Committee hasn't provided you with any direction on
19 what positions you should take or what positions you
20 shouldn't take in the case?

21 A. No, sir, they have not.

22 Q. In your direct testimony filed on June 1,
23 you provided kind of a brief history of this case,
24 right? You want me to tell you where exactly?

25 A. Yes, sir, if you don't mind.

26

1 Q. It's early in your testimony, and it's got
2 a heading, I think. Procedural History, starting on
3 line 154.

4 A. Yes, sir.

5 Q. And you note that the CET was proposed to
6 address two concerns, and that just goes over into
7 the top of the next page, right?

8 A. Yes, sir.

9 Q. You characterized the first one as the
10 purported disincentive to promotion of DSM programs,
11 right?

12 A. Yes, sir.

13 Q. And you characterized the second one as
14 claimed financial challenges stemming from a decline
15 in use per customer trend?

16 A. Yes, sir.

17 Q. And you note that you have always opposed
18 the CET; is that right?

19 A. Excuse me? I didn't --

20 Q. You note that you have always opposed the
21 CET?

22 A. Do I know?

23 Q. You "note." I'm sorry.

24 A. Yes, sir.

25 Q. And you also mentioned that you offered
26

1 some alternative to the CET as a result of the
2 technical conference which was held with Commission
3 staff back in June of 2006; is that right?

4 A. Yes, sir, that's correct.

5 Q. And you say you offered two alternatives.
6 I mean, I'm just kind of going through this. So now
7 we are --

8 A. Those alternatives -- let's see if we can
9 clarify that. Those alternatives were alternatives
10 that were presented in the first round.

11 Q. Right. That's what we are talking about.

12 A. Yes, sir.

13 Q. Going back over the history.

14 A. Okay.

15 Q. Now, so far -- you recall, don't you, that
16 the Applicants, when they made the application in
17 this case, you weren't involved at that point but you
18 read the application, I assume, and the testimony?

19 A. Yes, sir. That's correct.

20 Q. Do you recall that they proposed there was
21 three reasons for the CET, not just two?

22 A. I don't recall the three exactly. I
23 recall the two, I don't recall the third.

24 Q. Okay. And you also, as I recall, proposed
25 three alternatives, not two, after the Commission's

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1 staff technical conference; is that right? Do you
2 remember that?

3 A. I don't remember an exact number. I
4 believe there was, in the last round, there was an
5 incentive approach to looking at demand-side
6 management, and there was a statistical recoupling
7 approach. I don't recall the third one.

8 Q. We will explore that a little bit more in
9 a minute. And do you recall in the testimony you
10 read in this case there was a lot of discussion about
11 a three-year process that preceded the application?

12 A. Yes, sir, I'm familiar with that.

13 Q. And you didn't discuss that process in
14 this procedural summary of the case.

15 A. No, sir, I did not.

16 Q. And is that because you didn't participate
17 in it?

18 A. Yes, sir, that's correct.

19 Q. Okay. In your first round of testimony
20 filed back in May of 2006, you recommended the
21 Commission reject the CET.

22 A. Yes, sir, that's correct.

23 Q. And as an alternative to rejection of the
24 CET, you made five recommendations. Do you remember
25 that?

26

1 A. I do not have that testimony in front of
2 me so I do not have the exact recommendations.

3 Q. Let me see if I can refresh your
4 recollection.

5 A. Okay.

6 Q. The first one was that decoupling should
7 be implemented only after properly designed DSM
8 programs are in place and functioning. Do you
9 remember that?

10 A. I believe these were the alternative
11 recommendations.

12 Q. Right.

13 A. Yes, sir.

14 Q. The second recommendation was that a cost
15 of capital adjustment should be made.

16 A. Yes, sir.

17 Q. The third was that a complete listing of
18 DSM programs and their estimated costs, estimated
19 savings, and participation levels for the entire
20 three-year pilot program should be required.

21 A. Yes, sir, that's correct.

22 Q. Your fourth was that the Company should
23 define clear reporting requirements and evaluation of
24 metrics, including DSM savings goals for the pilot
25 period.

26

1 A. That's correct.

2 Q. And your fifth was the Company should be
3 required to participate in the CET and maintain its
4 DSM commitments throughout the pilot program; is that
5 correct?

6 A. That's right.

7 Q. And then you filed supplemental rebuttal
8 testimony on I think June 30, was it, about, of 2006?
9 Do you remember that?

10 A. Yes, sir.

11 Q. In it you said you were sticking with the
12 original five recommendations as alternatives if the
13 Commission accepted the CET, right?

14 A. Yes, sir.

15 Q. And you also suggested three alternatives
16 if the Commission is looking for what you
17 characterize, as you said, a progressive policy for
18 advancing DSM development. I don't know if you
19 remember those exact words.

20 A. That sounds familiar.

21 Q. But that's a quote from your testimony.
22 Your first alternative was incentive regulation
23 approach. And you said that would be based on target
24 goals on achieved benefit cost ratio. Do you recall
25 that?

26

1 A. Right.

2 Q. And your second one, maybe this is why you
3 thought there was just two, was another incentive
4 regulation approach, only it was based on savings in
5 decatherms.

6 A. That's correct. I was treating those as
7 one. Sorry.

8 Q. Right. And you proposed in both of those
9 that there be kind of a dead man level, and if the
10 Company did better than the dead man level they would
11 get a reward, and if they did worse they would get
12 penalized.

13 A. That's right.

14 Q. Okay. You said you couldn't provide
15 specifics on how these would work because no DSM
16 programs had yet been proposed. Do you remember
17 that?

18 A. Yes, sir, I do.

19 Q. And you also said that your first
20 approach, at least, the one with the benefit cost
21 ratio hadn't been used in any state. Do you recall
22 that?

23 A. Yes, sir, I do recall that.

24 Q. And you also didn't provide specific
25 recommendations on how the second incentive
26

1 regulation one would work either; is that right?

2 A. I believe there were some recommendations
3 on it, but it certainly wasn't fully fleshed out.

4 Q. Right. You did say a number of states had
5 used that recommendation.

6 A. Which --

7 Q. Used that incentive approach with a dead
8 man, a rewarding for above --

9 A. Yes, sir.

10 Q. -- the dead man level.

11 A. Yes, sir.

12 Q. And you actually filed an exhibit that I
13 believe you intended to have show that. It was
14 Exhibit CCS 2.9. Now, you apparently don't have your
15 testimony; is that right?

16 A. I do not.

17 MR. MONSON: Can I show him this exhibit?

18 COMMISSIONER BOYER: Please. You may
19 approach the witness.

20 MR. MONSON: I'm going to have to come
21 back to this. I don't have the right exhibit. I'll
22 come back to this.

23 Q. (By Mr. Monson) Now, with regard to that
24 second recommendation or second alternative, I'm
25 sorry, did you need to have DSM programs in place to
26

1 be able to provide specific recommendations on how it
2 would work?

3 A. I think having an overall understanding of
4 what programs were being offered and the absolute
5 level of savings would have been instrumental in
6 figuring out how to design those incentives, yes,
7 sir.

8 Q. The third alternative you recommended was
9 statistical recoupling, and you mentioned that.

10 A. Yes.

11 Q. And that's a form of partial decoupling;
12 is that right?

13 A. Yes, sir.

14 Q. And it involved attempting to determine
15 what part of a change in usage per customer is
16 attributable to DSM programs versus other factors; is
17 that right?

18 A. Yes, sir, that's correct.

19 Q. And the other factors you mention in your
20 testimony were income, price changes, and other
21 exogenous changes. Does that sound right?

22 A. Yes, sir, that sounds right.

23 Q. And in connection with that testimony, you
24 mentioned that you had information from the Company,
25 from Questar Gas, about what its income elasticity

26

1 was and what its price elasticity was; is that right?

2 A. Yes, sir, that is correct.

3 Q. And the income elasticity was 0.05. Do
4 you recall that number?

5 A. I don't recall the income price elasticity
6 number, but I can agree subject to check.

7 Q. Okay. And the price elasticity was minus
8 0.06?

9 A. Yes, sir.

10 Q. And so what that means, and I think you
11 used an example in your summary, if gas prices
12 increased by 100 percent, we would expect usage to
13 drop by 6 percent; is that right?

14 A. Use per customer.

15 Q. Use per customer. Okay. And if price
16 were to go down by, say, 10 percent, then you would
17 expect use per customer to go up by .6 percent; is
18 that right?

19 A. Yes, sir.

20 Q. Okay. You also mentioned trend changes
21 that the Company had provided information on in their
22 IRP. Do you recall that?

23 A. Yes, sir.

24 Q. And as I understand it, one of the reasons
25 the Committee was willing to enter into a stipulation

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1 in the earlier phase of this case was to allow you
2 more time to develop your alternative
3 recommendations.

4 MR. PROCTOR: Objection, your Honor. I
5 believe we are getting close, if we have not already
6 reached the point, where --

7 COMMISSIONER BOYER: I'm going to sustain
8 that objection. I don't think we should be asking
9 Dr. Dismukes what the Committee's intentions were and
10 motivations were.

11 MR. MONSON: Let me try a different
12 approach.

13 MR. PROCTOR: My objection goes also to
14 the fact that this line of questioning is a violation
15 of the stipulation itself and Questar's obligation
16 and agreement in it.

17 MR. MONSON: I understand what your
18 objection is. Let me try a different approach.

19 MR. PROCTOR: I don't know that they do,
20 Mr. Monson, and they are the ones I need to speak to.

21 MR. MONSON: He has sustained your
22 objection.

23 MR. PROCTOR: But there are other grounds
24 that I don't think that any way of getting to this is
25 appropriate.

26

1 COMMISSIONER BOYER: Let's hear
2 Mr. Proctor and then we will let Mr. Monson respond.

3 Q. (By Mr. Monson) Did you read Mr. Orton's
4 testimony filed in support of the stipulation?

5 COMMISSIONER BOYER: Mr. Monson, I have
6 agreed to let Mr. Proctor proceed with the remainder
7 of his reasoning.

8 MR. MONSON: I'm sorry. I misheard you.

9 MR. PROCTOR: Thank you very much.

10 Thank you, Mr. Monson.

11 The stipulation that this Commission has
12 approved and governs this proceeding permits the
13 Committee or any party to evaluate the CET as it,
14 too, was approved, and develop an alternative, or
15 alternatives, and can propose those for consideration
16 at this time in this particular proceeding. There
17 was a conference in April, unrecorded, there is no
18 record of that technical conference, where the status
19 of potential - "potential" is the word used in the
20 stipulation - alternatives or recommendations are to
21 be reviewed. And it provided, then, for a schedule
22 of proposing alternatives or advocating continuance
23 of the CET, any party wishing to propose an
24 alternative or alternatives. So it became -- and
25 also the CET itself extinguished on its own terms in

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1 the event that no party requested that it continue.

2 Well, parties obviously did. And the
3 Committee, in accordance with the stipulation,
4 developed an alternative and proposed it. Now
5 Questar would like to go back to the proceedings
6 prior to the stipulation, ignore the stipulation,
7 ignore the result, the establishment of the CET, and
8 hang this albatross around the Committee's neck
9 because we may have said something and considered
10 something prior to the stipulation, or something may
11 have been said in the technical conference in April
12 for which there is no record and which, in fact,
13 can't even be placed on the record because there's no
14 recording of it.

15 That is a fundamental violation of the
16 Committee's rights, any party's rights, to propose
17 alternatives that you are to hear today, which the
18 Committee has done. This line of questioning has
19 gone on, and not knowing exactly where it was going,
20 although I had an indication, and if you'll read
21 Questar's motion to strike testimony they are citing
22 as grounds for that this unrecorded nebulous status
23 technical conference in April, a footnote.

24 So I believe that this line of questioning
25 needs to be cut off, and Dr. Dismukes is available
26

1 for cross-examination with respect to his testimony
2 as it appears in this phase of the proceeding.

3 Thank you very much.

4 COMMISSIONER BOYER: Well, that's a little
5 broader explanation than we had.

6 Mr. Monson, how would you respond to that?

7 MR. MONSON: I understand the concern
8 about invading what would be settlement negotiations.
9 I didn't mean to do that, and I have a different way
10 to approach this question. I'm simply trying -- and
11 certainly Dr. Dismukes referred a lot to the prior
12 phase of this case in his testimony in this phase of
13 the case, so I certainly have an opportunity to
14 explore that on cross-examination.

15 COMMISSIONER BOYER: I'm going to confer
16 with my fellow commissioners for just a moment,
17 please.

18 (Discussion between Commissioners.)

19 THE COURT: Conference is over. We are
20 back here among you.

21 I have previously sustained Mr. Proctor's
22 objection and I thought that the objection went to
23 asking Dr. Dismukes about the intentions of other
24 parties or other meetings to which he wasn't a party
25 to. But I think also there's probably merit in not

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1 dwelling too much longer on this procedural history.
2 I mean, we are interested in Dr. Dismukes's current
3 testimony post-stipulation, and maybe we should focus
4 our efforts there.

5 MR. MONSON: Can I ask a couple more
6 questions, and if there's an objection it can be
7 made?

8 COMMISSIONER BOYER: Ask them slowly so
9 Mr. Proctor can formulate an objection, if necessary.

10 Q. (By Mr. Monson) In Eric Orton's testimony
11 in support of a stipulation filed in this docket on
12 September 21, 2006 -- have you ever read that
13 testimony?

14 A. I did read it at the time it was filed.

15 Q. Do you recall that he said the stipulation
16 creates a window of time for the Committee and other
17 parties to more fully develop alternatives to the
18 CET?

19 A. That sounds familiar.

20 Q. And did you read Dr. Powell's testimony in
21 support of the stipulation that was filed at the same
22 time?

23 A. I did at that time.

24 Q. He had a question in that testimony. "In
25 surrebuttal testimony didn't Dr. Dismukes offer
26

1 several alternatives to the CET tariff?"

2 "Answer: Yes. However, none of these
3 alternatives were fully developed or explained to an
4 extent that they could be evaluated side by side with
5 the CET tariff. The stipulation can potentially
6 correct this by allowing parties time to fully
7 develop one or more alternatives that can be
8 evaluated side by side with the CET." Do you recall
9 that?

10 A. That sounds familiar.

11 Q. And so the settlement stipulation was
12 filed on September 13, 2006. I mean, you don't need
13 to know the exact date, but does that sound about
14 right? And then the Commission held a hearing on it.
15 And then the Commission approved it in October. Do
16 you recall that? And the order required the Company
17 to work with a DSM advisory group to develop DSM
18 programs within sixty days. Do you recall that?

19 A. Yes, sir.

20 Q. You have participated in some of those DSM
21 advisory group meetings; is that correct?

22 A. Yes, sir, that's correct.

23 Q. And other representatives of the Committee
24 have also participated?

25 A. Yes, sir, that's my understanding.

26

1 Q. And during those meetings you have not
2 objected to any of the DSM programs ultimately
3 proposed by the company, as I understand it.

4 MR. PROCTOR: Objection. I think that
5 Mr. Monson is using the technical term in the sense
6 of objection, which is totally inappropriate in
7 connection with this task force which is attempting
8 to develop DSM mechanisms. I don't know that
9 Dr. Dismukes was retained and appeared at those task
10 force meetings for the purpose of objecting to
11 specific provisions or not; nor, for that matter, are
12 those specific provisions in this particular part of
13 the hearing. In fact, I think there is a bifurcation
14 order, is there not, that separates out the
15 consideration of the DSM and monitoring and
16 evaluation?

17 COMMISSIONER BOYER: I believe that's
18 true.

19 MR. PROCTOR: So I think that the
20 objection should be sustained on the grounds that
21 it's irrelevant to Dr. Dismukes's testimony; and the
22 DSM task force and his objections to it are beyond
23 the scope of that testimony.

24 COMMISSIONER BOYER: Mr. Monson, are you
25 trying to impeach Dr. Dismukes or show that he made

26

1 prior inconsistent statements, or where are you going
2 with that?

3 MR. MONSON: I'm trying to get background
4 for the big question that's coming up in a minute.

5 COMMISSIONER BOYER: The big question?

6 MR. MONSON: It's not that big, either,
7 you know.

8 COMMISSIONER BOYER: I'm going to sustain
9 the objection to the extent it deals with
10 conversations in technical conferences and other
11 dockets and that sort of thing.

12 MR. MONSON: At that time it was actually
13 the same docket, but it wasn't bifurcated until after
14 that.

15 Q. (By Mr. Monson) What I'm trying to get
16 at, Dr. Dismukes, and you talked about this in your
17 testimony, but the Committee -- I don't know if you
18 speak for the Committee, but you've made statements
19 in your testimony that the Company has done a good
20 job in implementing some DSM programs on an
21 accelerated basis and so forth; is that right?

22 A. Yes, sir, that's correct.

23 Q. And you don't mean anything you say in
24 testimony to imply that the Company hasn't
25 aggressively pursued DSM?

26

1 A. There is nothing in my testimony to imply
2 that, no, sir.

3 Q. Okay. But you recommended an alternative
4 in your supplemental rebuttal testimony, and you said
5 you couldn't provide the specifics for that
6 alternative until DSM programs were proposed; is that
7 right?

8 A. That's correct.

9 Q. And now they have been proposed, and in
10 fact they have been implemented, right?

11 A. That is correct.

12 Q. So you could now propose a more specific
13 plan for your incentive regulation alternative; is
14 that right?

15 MR. PROCTOR: Objection, Mr. Chairman. I
16 believe that the testimony he is referring to is
17 prior to the stipulation. Am I correct, Mr. Monson?
18 I don't understand --

19 COMMISSIONER BOYER: I'm going to
20 overrule. He can answer whether or not he could
21 propose a more complete incentive program at this
22 point.

23 A. I think we are close to that point, but
24 until there's a final decision on the monitoring
25 verification process of this, I would be hesitant to
26

1 make a recommendation.

2 Q. (By Mr. Monson) At least you are not
3 proposing that now?

4 A. Not at this time, no, sir.

5 Q. And that would apply to your second
6 alternative on the incentive regulation as well; is
7 that right?

8 A. Yes, sir.

9 Q. And you also are not recommending now that
10 statistical decoupling be implemented by the
11 Commission; is that right?

12 A. Yes, sir, that's correct.

13 Q. In your direct testimony in this
14 proceeding, in this one you reviewed, you still
15 recommend that the CET should be discontinued. Is
16 that right? You still oppose the CET, is what I'm
17 trying to say?

18 A. Yes, sir, that's correct.

19 Q. Okay. And you also recommend now that a
20 lost revenue adjustment be implemented; is that
21 right?

22 A. Yes, sir.

23 Q. And that's not an alternative
24 recommendation. That's part of your primary
25 recommendation.

26

1 A. The lost revenue adjustment mechanism,
2 yes, sir.

3 Q. Okay. So now rather than simply opposing
4 the CET and saying, "Let's do away with it," you are
5 saying, "Let's do away with it but let's replace it
6 with a lost revenue adjustment."

7 A. Yes, sir, that's correct.

8 Q. Okay. So are you now acknowledging that
9 traditional ratemaking creates a disincentive for the
10 Company to implement DSM programs?

11 A. No, sir, I am not.

12 Q. Okay. Then why are you proposing a lost
13 revenue adjustment?

14 A. The lost revenue adjustment would be in
15 place for any revenues that may be lost associated
16 with just the demand-side management programs that
17 have been implemented by the Company.

18 Q. And so you are just trying to be fair.
19 You are not trying to give them an incentive to do
20 DSM?

21 A. Right. This is just a fairness issue.

22 Q. Okay. And you have also made alternative
23 recommendations in your testimony if the Commission
24 wishes to continue the CET; is that right?

25 A. That's correct.

26

1 Q. And the first one is if the CET is
2 continued there should be true-ups to the mechanism
3 based on historic and actual use per customer. That
4 excludes new customers. I'm not saying that very
5 effectively, but you understand what I'm getting at?

6 A. Yes, sir, I do understand what you're
7 saying.

8 Q. And that's one of your recommendations?

9 A. Right.

10 Q. That new customers be removed?

11 A. I think the easier way to say it is to cap
12 the revenue requirement the Company has for its test
13 year.

14 Q. Okay. And that wasn't discussed in your
15 earlier testimony in the earlier phase of the case,
16 as I recall; was it?

17 MR. PROCTOR: I hate to keep interrupting.
18 I really don't like to do that. But again, what
19 recommendations were made prior to the stipulation
20 has nothing to do with the Committee taking the
21 opportunity to develop an alternative to the CET in
22 this phase of the proceeding. And the fact that he
23 may have not recommended something, or recommended
24 something before, is irrelevant to the issues before
25 the Commission at this time. It's not probative of

26

1 any issue here proving whether or not the CET, as it
2 exists presently, should or should not be continued
3 or under what conditions, or whether or not the
4 alternative should or should not be substituted with
5 or without conditions. It's irrelevant.

6 COMMISSIONER BOYER: I'm sustaining that.
7 Let's move forward to the present and the current
8 testimony. And I'm happy that you are talking about
9 alternatives being proposed and so on and so forth,
10 but --

11 MR. MONSON: I'm actually just trying to
12 find out if an alternative was proposed previously
13 but is not being pursued now, why isn't it being
14 pursued now? That's what I'm getting to.

15 MR. PROCTOR: And --

16 MR. MONSON: Dr. Dismukes recommended an
17 alternative previously, and now he is not
18 recommending that alternative. Must be some reason
19 for that.

20 MR. PROCTOR: Well, the reason may very
21 well be that the stipulation grants any party the
22 right to do so, and we are exercising that right.
23 And again, this stipulation contemplated in fact a
24 new beginning and to review the CET that was
25 stipulated to and implement it, not to subject a

26

1 party to cross-examination in this proceeding for
2 ideas and positions and discussions that took place
3 when it was originally filed.

4 I mean, if we want to go back to the
5 original filing and what was said then, the
6 Commission should review the memorandum that the
7 Committee filed stating this is illegal. The
8 Committee agreed not to make that argument in this
9 proceeding.

10 On the other hand, if the Company insists
11 on violating the provisions of the stipulation,
12 perhaps the stipulation should be thrown out and the
13 Committee should proceed with its legal argument.

14 COMMISSIONER BOYER: Mr. Monson, what is
15 the relevance of the reason he may or may not have
16 abandoned the --

17 MR. MONSON: The relevance is that the
18 witness is purporting to be an expert and offering
19 opinions on what you ought to do, and
20 recommendations, and he is changing those. So
21 obviously it goes to whether or not he has a basis
22 for his recommendations; whether he is just picking
23 up anything that comes along. I mean, why did he
24 change? What was his basis for changing?

25 COMMISSIONER BOYER: So it goes to
26

1 credibility?

2 MR. MONSON: I think it goes to
3 credibility and to qualification and to purpose and
4 intent. But you have sustained the objection, so I
5 simply wanted to explain to you why I was doing what
6 I did. I'm done.

7 COMMISSIONER BOYER: You have on the
8 record -- well, all right. Let's proceed forward
9 then.

10 MR. MONSON: And I hope to be able to find
11 that exhibit. Maybe it is in this part of the case.
12 Maybe that's why I can't find it, but I will look for
13 it later.

14 It is in this part of the case. That's
15 why. I was looking in the wrong place.

16 Q. (By Mr. Monson) Do you have your
17 testimony in this case?

18 COMMISSIONER BOYER: Why don't we do this,
19 Mr. Monson and other parties. Let's take a ten
20 minute break, give the reporter a break, and let
21 Mr. Monson collect his exhibits here for his
22 cross-examination. We will be back about five to the
23 hour.

24 (Discussion off the record.)

25 MR. MONSON: I said the reason I couldn't
26

1 find the exhibit was because it was in this phase of
2 the proceeding, and now that I have looked at it and
3 thought through it, it was in the prior phase. So I
4 won't ask those questions.

5 COMMISSIONER BOYER: Thank you.

6 Q. (By Mr. Monson) You've made several
7 arguments as to why the CET should not be adopted or
8 continued in this case, right?

9 A. Yes, sir.

10 Q. And one of the arguments you are making is
11 that, and this is on line 68 to 70 of your testimony
12 filed on June 1. You say, "The Company's problem
13 appears to stem from the relationship between the
14 marginal increase in revenues associated with new
15 customers and a much higher marginal increase in cost
16 per customer." Is that right?

17 A. I believe that says "investment cost per
18 customer."

19 Q. Does it?

20 A. Yes, sir.

21 Q. If I got it wrong, I'm sorry.

22 And you also observed and it's your
23 position that the increased revenues from customer
24 growth more than offset the decreased revenues from
25 DSM and declining use per customer; is that right?

26

1 Do you want me to give you a reference?

2 A. I believe that's correct.

3 MR. PROCTOR: Mr. Chairman, if you could
4 ask Counsel to give that reference for all of us.

5 COMMISSIONER BOYER: What page are you
6 looking at, Mr. Monson?

7 MR. MONSON: I didn't write the page
8 numbers. I wrote line numbers under our new system.
9 It's line 737 to 748 in the June 1 testimony.

10 COMMISSIONER BOYER: Thank you.

11 Q. (By Mr. Monson) You said you remembered
12 it; is that right?

13 A. Yes, sir, I recall that.

14 Q. Okay. But then you say just right after
15 that, you say that the net impact of those changes,
16 in other words the increased customers, new
17 customers, creates a positive impact on rate of
18 return on equity; is that right?

19 A. Where are you referring to exactly?

20 Q. That's line 746 and 747.

21 A. Holding other things constant, yes, sir.

22 Q. And you have an exhibit that provides your
23 calculation of this. Exhibit 1.9?

24 A. Yes, sir, that's correct.

25 Q. Okay. Now, before we go to your exhibit,

26

1 rate of return on equity is determined by dividing
2 net income by rate base?

3 A. That's right.

4 Q. And net income is determined by
5 subtracting expenses from revenues?

6 A. Correct.

7 Q. In general terms. Okay.

8 Now let's look at your Exhibit 1.9, if I
9 can find it. This exhibit is where you purport to
10 show that there's a positive impact on ROE from new
11 customers; is that right?

12 A. That's correct.

13 Q. Okay. And there was an error in this
14 exhibit that was brought to your attention in
15 rebuttal testimony that you corrected in surrebuttal;
16 is that right?

17 A. I believe that's correct.

18 Q. And that involved -- you computed the
19 amount per customer by dividing the total revenues
20 per customer by just the GS-1 class.

21 A. That's right.

22 Q. And you corrected that error. And that
23 exhibit, just so everybody knows, is your surrebuttal
24 Exhibit 1.5. And I'm using the old numbering system.
25 I'm sorry, I haven't converted them all to the new

26

1 numbering system.

2 Is that right, Dr. Dismukes?

3 A. I'm sorry. --

4 Q. It's surrebuttal --

5 A. Surrebuttal, okay.

6 Q. Surrebuttal 1.5, I believe.

7 A. That's correct.

8 Q. Okay. Now, you included the revenues
9 associated with new customers in these calculations,
10 right?

11 A. Right.

12 Q. But you didn't include the costs
13 associated with new customers?

14 A. Yes, sir. Correct.

15 Q. And when Mr. McKay pointed that out in his
16 rebuttal testimony, you responded in your surrebuttal
17 that you were just doing the same thing that he and
18 Mr. Cavanagh had done in earlier phases of this case.

19 A. Yes, sir.

20 MR. MONSON: Now, I hesitate to do this
21 but I need to ask him about what they did in the
22 earlier phase of the case, since he addressed it. Is
23 that all right?

24 COMMISSIONER BOYER: Go ahead, Mr. Proctor.

25 MR. PROCTOR: Maybe we could reserve your
26

1 permission to ask a question until it's asked, and
2 then whether or not I object.

3 COMMISSIONER BOYER: Proceed, Mr. Monson.

4 MR. MONSON: May I hand out an exhibit?

5 Q. (By Mr. Monson) Dr. Dismukes, I'll
6 represent to you that this is a copy of Mr. McKay's
7 exhibit in the earlier phase of the case, QGC Exhibit
8 1.8. Does it look familiar to you?

9 A. Yes, sir.

10 Q. Is this the document that shows an
11 estimated revenue loss as a result of a 1 percent
12 reduction in GS-1 annual decatherms?

13 A. That's what's indicated in the title.

14 Q. Okay. And this exhibit shows revenue
15 loss, annual revenue loss, cumulative revenue loss,
16 is that right, based on Mr. McKay's testimony?

17 A. Based on the assumptions that are included
18 here, yes, sir.

19 Q. Did this exhibit anywhere say anything
20 about return on equity?

21 A. I think we need to look at Mr. Cavanagh's
22 testimony in terms of being able to put this in
23 perspective.

24 Q. In the prior part of the case, obviously?

25 A. That's true. And that's what he
26

1 references and that is what I was rebutting to.

2 Q. But you mentioned Mr. McKay and Mr.
3 Cavanagh?

4 A. Because Mr. Cavanagh used information from
5 Mr. McKay. I was responding to Mr. Cavanagh, not
6 Mr. McKay.

7 Q. Okay.

8 A. And if you have that, I can point that
9 out.

10 Q. I don't have it right now. And I have had
11 trouble finding stuff.

12 You also said in your surrebuttal that
13 they exaggerated the amount of revenue loss
14 associated with DSM; is that right?

15 A. Yes, sir.

16 Q. And you were talking about this 1 percent,
17 I believe; is that right?

18 A. It was beyond the 1 percent. It was not
19 adjusted for taxes, as well.

20 Q. Okay. But so your reference wasn't to
21 this exhibit?

22 A. It was again to Mr. Cavanagh's testimony
23 and he referenced that he got his data from
24 Mr. McKay. The only link in this would be the
25 reference to Mr. McKay and where he got his data.

26

1 Q. Okay.

2 A. I was not responding to Mr. McKay in that
3 instance.

4 Q. Do you believe that a 1 percent estimated
5 reduction in annual decatherms is a gross
6 exaggeration?

7 A. Based on the information that was included
8 in Mr. Cavanagh's testimony and not corrected for the
9 factors that I talked about, yes.

10 Q. Okay. Are you aware that Governor
11 Huntsman has set a goal for the state of Utah for 20
12 percent improvement in energy efficiency by 2015?

13 A. I'm familiar with that.

14 Q. And he announced that goal in April of
15 2006.

16 A. That sounds familiar.

17 Q. Okay. So he wants a 20 percent
18 improvement in nine years; is that right?

19 A. That sounds right.

20 Q. So that would be about 2 percent a year,
21 or a little more, actually; wouldn't it?

22 A. (Witness nods head up and down.)

23 Q. Are you familiar with the GDS study that
24 was done for the task forces prior to this case?

25 A. Yes, sir.

26

1 Q. And it concludes that there could be
2 realistic energy savings by 2013 of 20 percent; is
3 that right?

4 A. That's correct.

5 Q. So that is also in excess of 2 percent per
6 year?

7 A. That's right.

8 Q. You also responded to Mr. McKay's
9 challenge that you failed to include the costs
10 associated with new customers in this analysis in
11 your Exhibit SR 1.5. Right?

12 A. (Witness nods head up and down.)

13 Q. And you said he was trying to shift the
14 debate from revenues to costs.

15 A. Right.

16 Q. And so you say that cost issues should be
17 dealt with in a general rate case, not here.

18 A. Right.

19 Q. But you're the witness who introduced the
20 evidence about ROE in this phase of the proceeding;
21 is that right? About the ROE impact of additions of
22 new customers?

23 A. No, I did not. I think I was responding
24 to Mr. Cavanagh's statements about the impact on the
25 Company's earnings as a result of aggressive

26

1 promotion of demand-side management. I believe he
2 did.

3 Q. So you were responding to his testimony in
4 the earlier phase of the case?

5 A. Yes.

6 Q. Okay. But you can't compute ROE without
7 including costs, can you?

8 A. I think I referenced that in the original
9 phase, that the appropriate way of doing this would
10 be to include costs and the other elements. But
11 again, that is not the example Mr. Cavanagh did, and
12 the purpose of my testimony was to call out that if
13 you did it on comparable terms there are corrections
14 you needed to make, and these were the corrections
15 you needed to make.

16 And if I can, just one additional
17 explanation on that is that this discussion was on
18 revenues and revenue losses. It was not on net
19 operating income, it was revenue.

20 Q. Okay. You said that -- but you
21 acknowledge that the marginal cost, and maybe I
22 better get the quote out because I think you said I
23 said it a little wrong. That the marginal
24 revenues -- that the Company's problem was that it
25 was having a higher -- that the marginal increase in

26

1 revenues was also associated with new customers, also
2 involved a much higher marginal increase in cost. Is
3 that right?

4 A. I think it was "investment cost."

5 Q. Let's look at it. It's on page -- it's on
6 line 68 through 70. Of direct?

7 A. Yes, sir.

8 Q. Okay. "Investment cost." Right. I'm
9 sorry I left that out. I make mistakes at 1:30 in
10 the morning, too.

11 But anyway, what I'm trying to find out,
12 Dr. Dismukes, is if the investment cost associated
13 with new customers is higher than that for existing
14 customers -- is that right? Do you agree with that?
15 The investment cost?

16 A. The investment cost is --

17 Q. Higher for new customers than for existing
18 customers.

19 A. Based on the calculations that I put, the
20 investment cost on an incremental basis is higher.

21 Q. Right. Then how can you improve your ROE
22 by adding new customers?

23 A. You have to hold costs constant.

24 Q. You'd have to do better than that,
25 wouldn't you, if the investment is higher?

26

1 A. Well, I don't know what the revenue
2 requirement is with that investment cost.

3 Q. But assume that there's -- we are just
4 talking about profit now. We're not talking about
5 revenue requirement. So if you increase the
6 investment, which is the divisor or the dividend of
7 the equation for ROE, and you want to hold ROE
8 constant or move it up, and you have made a bigger
9 dividend, then you are going to have to do something
10 besides increase revenues, aren't you?

11 A. Well, it depends on what the costs are
12 going to be, what the revenue new requirement or what
13 the costs are going to be that you are making that
14 investment for. You are not recovering all that
15 investment in one year, are you?

16 Q. You are talking about depreciation --

17 A. Right.

18 Q. -- and carrying costs and all that?

19 A. And I think Mr. McKay tried to point that
20 out in one of his other earlier reply exhibits in
21 terms of trying to take those investment costs into
22 account and looking at what the revenue requirement
23 would be. And I think he drew the conclusion it was
24 roughly a million dollars a customer shortfall. But
25 I think you need to look at that. There were some
26

1 assumptions under that in terms of the contribution,
2 and how those were going to be credited. And then
3 looking at those numbers it seemed it could be
4 anywhere from a plus of \$300,000 a year to a loss, as
5 he noted of as much as a million. Again, that's an
6 issue that would need to be looked at within the
7 context of a rate case, not necessarily within the
8 context of the CET proceeding.

9 Q. Another argument you have offered as to
10 why the CET should not be continued is that it isn't
11 necessary to promote DSM; is that right?

12 A. Yes, sir.

13 MR. MONSON: Bear with me a little bit.
14 I'm looking to see which of this is old stuff and
15 which is new stuff, Commissioner. I'm sorry.

16 Q. (By Mr. Monson) Can you turn to your
17 Exhibit CCS 1.4 in this part of the case.

18 A. Yes, sir.

19 Q. And this exhibit was used by you in
20 support of your view that you don't need revenue
21 decoupling to support DSM; is that right?

22 A. That was one aspect.

23 Q. Okay. And you've listed here it looks
24 like ten utilities; is that right?

25 A. Yes, sir.

26

1 Q. And you said only three of them had
2 revenue decoupling; is that right?

3 A. Yes, sir.

4 Q. And that would be PG&E, Southern
5 California Gas, and Northwest Natural Gas, right?

6 A. I believe that's correct, yes, sir.

7 Q. Now, you have listed Aquila. Aquila
8 offers service in a number of different
9 jurisdictions.

10 A. That's right.

11 Q. Do you know which jurisdiction this is?

12 A. I do not know.

13 Q. Okay. Centerpoint. Centerpoint, are you
14 aware, has proposed a revenue decoupling mechanism
15 currently pending before its commission?

16 A. In what state?

17 Q. I don't know. Which state is this?

18 A. I don't know. Mr. Geller put it together.
19 I do not have --

20 Q. It's Arkansas. Sorry.

21 A. For ---

22 Q. For Centerpoint.

23 A. For Centerpoint.

24 Q. Do you know whether or not they have -- if
25 you don't know, that's fine?

26

1 A. I don't know off the top of my head.

2 Q. Do you know if Keyspan provides service in
3 New York?

4 A. They do.

5 Q. And are you aware that the governor of New
6 York has ordered the Public Service Commission to
7 implement revenue decoupling for all gas and electric
8 utilities?

9 A. I know it's under investigation in New
10 York right now.

11 Q. NSTAR is in what state; do you know?

12 A. I do not know.

13 Q. I believe it's in Massachusetts. Does
14 that sound right?

15 A. Sounds familiar.

16 Q. And are you aware that the Commission
17 there has opened a generic proceeding on revenue
18 decoupling?

19 A. I am familiar with that.

20 Q. And Vermont Gas is in Vermont, I guess; is
21 that right?

22 A. That would be a good one.

23 Q. And are you aware that they have a rate-
24 making mechanism that assures that they also get
25 trued up to the revenues that were set in their past
26

1 rate case?

2 A. Sounds familiar.

3 Q. Okay. So that would operate essentially
4 the same as revenue decoupling.

5 A. It is similar.

6 Q. Okay. And then Xcel Energy, that's in
7 Minnesota, right?

8 A. That's right.

9 Q. And they have also proposed revenue
10 decoupling.

11 A. I'm not aware of that.

12 Q. Okay. You think -- but as we just
13 discussed a minute ago, you think because of customer
14 growth, that declining revenue per customer is not a
15 disincentive for promoting DSM; is that right?

16 A. No. I think in looking at this exhibit,
17 this was prepared before all the examples that you
18 just discussed. I think it was in the 2004/2005 time
19 period when only three utilities at that time had
20 revenue decoupling programs in place. And while it
21 may be the case that many of them are looking at it
22 now, they were able to attain these degrees of
23 savings when they didn't have the programs in place.

24 Q. Okay. But these companies apparently
25 believe, the ones I have talked about, apparently

26

1 believe they need some sort of revenue decoupling or
2 revenue assurance to be able to continue; is that
3 right?

4 A. I believe that they think that revenue
5 decoupling would be in the shareholders' best
6 interest.

7 Q. I asked you a question about whether you
8 believed that declining use per customer is a
9 disincentive to promoting DSM. Do you?

10 A. You asked me about that?

11 Q. I'm asking you about it right now.

12 A. Yes, sir.

13 Q. Okay. You also supported your position
14 that revenue decoupling is unnecessary to promote DSM
15 with a statement from Georgia Power; is that right?

16 A. That's right.

17 Q. And that's near the end of your
18 surrebuttal testimony.

19 A. Right.

20 Q. And you've got some ellipses in that
21 statement; is that right?

22 A. I believe so.

23 MR. PROCTOR: I'm sorry, Mr. Chairman. Do
24 you have a line?

25 MR. MONSON: Where he talks about Georgia
26

1 Power?

2 MR. PROCTOR: Yes.

3 MR. MONSON: It's 714 to 729.

4 MR. PROCTOR: Thank you very much.

5 Q. (By Mr. Monson) Does this appear to be
6 the statement that you were referring to in your
7 testimony?

8 A. Hold on and let me look at it. I can't
9 tell.

10 Q. Let me help you a little bit. If you go
11 down eleven lines, then the twelfth line is where
12 your quote starts.

13 A. I see the start of it, yes, sir.

14 Q. Okay. And in the first sentence you've
15 got an ellipses and you left out the words "in
16 Georgia." Is that right?

17 A. Right.

18 Q. The second sentence, you have an ellipsis
19 and you left out the words "in Georgia."

20 A. Right.

21 Q. And later in that sentence you've got an
22 ellipsis and you left out the words "like Georgia
23 Power." Is that right?

24 A. Right.

25 Q. Okay. What was the purpose of this
26

1 statement; do you know?

2 A. I think it was just to make a more
3 streamed quotation. I thought it was pretty
4 self-evident that it was Georgia Power and probably
5 talking about operations in their own state, and that
6 probably didn't need to be in there in terms of
7 streamlining the discussion.

8 Q. I didn't mean what was your purpose. I
9 meant what was the purpose of Georgia Power, why they
10 gave the statement; do you know?

11 A. As I interpreted it, it is because they
12 felt they had the appropriate regulatory incentives
13 to do demand-side management in their state.

14 Q. Let me call your attention to the last
15 sentence, down at the bottom. "If the state wants to
16 provide incentives for electric utilities like
17 Georgia Power to implement additional energy
18 efficiency programs, then providing incentives for
19 the introduction of energy efficiency through tax
20 incentives such as state sales tax exemptions, state
21 income tax credits, or state production tax credits
22 would provide for more effective and reasonable
23 policies." Is that right?

24 A. That's right.

25 Q. So it appears to me, at least, that this
26

1 statement was offered in connection with some
2 proposal to implement some tax incentives. Does that
3 seem right?

4 A. No. This was done in the general process
5 of looking at the state energy plan that was being
6 developed at that time.

7 Q. Okay. Georgia Power is a power company,
8 not a gas company; is that right?

9 A. It is a regulated electric utility in
10 Georgia, yes.

11 Q. Are you aware that electric utilities
12 typically are experiencing, instead of declining use
13 per customer, increasing use per customer?

14 A. That's correct.

15 Q. And do you know if that's the case for
16 Georgia Power, as well?

17 A. I do not know off the top of my head.

18 Q. Okay. Also, one of your other arguments
19 about why the CET should not be continued, as you
20 said, it's a significant departure from traditional
21 regulation; is that right?

22 A. Yes, sir.

23 Q. And you acknowledge on page 13 of your
24 direct, and this is on lines 289 to 290, that it
25 preserves the traditional rate design structure; is
26

1 that right?

2 A. Yes, sir.

3 Q. So at least with regard to that aspect,
4 it's not a significant departure from traditional
5 regulations, is it?

6 A. I mean, it still preserves what we
7 traditionally refer to as a two-party tariff in
8 pricing for utility services. So in that sense, it's
9 the same.

10 Q. I didn't mean to interrupt you.

11 And that's one reason why energy
12 efficiency advocates like it better than straight
13 fixed variable; is that right?

14 A. Yes, sir, that's correct.

15 Q. On line 309 of your testimony, you say
16 that the CET creates a situation where "customers are
17 no longer able to avoid any portion of the DNG
18 revenue requirement through reduced usage."

19 A. Right.

20 Q. Okay. And you are talking about customers
21 in general, right? As a group?

22 A. That's correct.

23 Q. Because individual customers could still
24 avoid part of it, couldn't they, if they conserve or
25 decrease their usage, but others don't?

26

1 A. Right.

2 Q. Is that the change from traditional
3 regulation that you are referring to?

4 A. No, sir.

5 Q. Or one of them, at least?

6 A. It could be part of one, but certainly it
7 is not the overwhelming one.

8 Q. Do you think it's fair for customers to
9 pay rates that are determined to be just and
10 reasonable by the Commission?

11 A. Do I think it's --

12 Q. Fair.

13 A. Yes, sir, I do.

14 Q. Do you think it's fair for them to overpay
15 for the delivery service that the utility provides to
16 them?

17 A. No, sir.

18 Q. Do you think it's fair for them to
19 underpay for that service?

20 A. In terms of theft?

21 Q. No. In terms of getting -- avoiding costs
22 that they have caused.

23 A. I don't know what kind of example you
24 would -- can you give me an example what you mean by
25 that?

26

1 Q. Well, the example I'd like to give you is
2 where they are able to avoid any portion of the DNG
3 revenue requirement.

4 A. I don't understand how -- as long as they
5 are paying distribution rates, how would they avoid
6 that.

7 Q. Well, you are the one who said that you
8 didn't like the CET because it allowed them to avoid
9 it, it took away their opportunity to avoid it.

10 A. It will require you to continue paying for
11 a service that you don't even take. And so you are
12 paying for things that you don't even have, which you
13 haven't purchased.

14 Q. But the cost that you are paying, based on
15 your rates, is based upon the amount that the
16 Commission found was just and reasonable for the
17 utility company to deliver that service to you; isn't
18 that right?

19 A. That's correct. But the rate you are
20 paying is still based on those costs and you are
21 still paying that rate. You are not paying a rate
22 that is any less than that.

23 Q. Okay. I've got a little historical stuff
24 here so I have to weed it out. I'm sorry.

25 Is it your view that -- well, first of
26

1 all, do you think that the CET is symmetrical?

2 A. In what context?

3 Q. As it is designed. I mean, you said for
4 example on page 12 of your direct testimony you say
5 it is symmetrical. I'm not trying to trap you.
6 Let's see. It's on line 271. "Process is
7 symmetrical." Right?

8 A. Right.

9 Q. So to that extent you believe it is
10 symmetrical, but you believe it shifts a risk. And
11 so I'm asking you if you believe it is symmetrical in
12 the sense that customers will still be likely to pay
13 the same amount under the CET as they would have paid
14 under traditional regulation.

15 A. No.

16 Q. Okay. And is that because usage per
17 customer is declining?

18 A. That and other factors.

19 Q. And if use per customer is decreasing over
20 time, if there's a trend, and if we set rates based
21 on historic test years, then we are going to always
22 have a problem, aren't we --

23 A. That's correct.

24 Q. -- with this issue?

25 A. That's correct.

26

1 Q. And so you've recommended that some of
2 these problems can be dealt with with a forecast test
3 year; is that right?

4 A. That's right.

5 Q. Now, a forecast test year projects a test
6 year out into the future a year or twenty months or
7 whatever is allowed in a given state. Right?

8 A. Yes, sir.

9 Q. But if there's a trend of declining use
10 per customer, then once you get to the end of that
11 forecast period, you are still going to have a
12 problem, aren't you? The same problem you had using
13 historic test years.

14 A. It depends on how you propose that
15 forecasted test year.

16 Q. Do you think the Commission is going to
17 allow you to set the use per customer lower than you
18 project it will be during the forecast test year?

19 A. I don't know what the Commission will
20 decide.

21 Q. Okay. Fair enough. Another one of your
22 arguments against the CET is you believe it shifts
23 risks from the Company to the customers, right?

24 A. Yes, sir.

25 Q. And in connection with that issue,
26

1 Dr. Hansen did a study that he presented in his
2 direct testimony; is that right?

3 A. Yes, sir.

4 Q. And you responded to that study, you said
5 it defied common sense and years of academic
6 literature; is that right?

7 A. Yes, sir.

8 Q. And you cited price elasticity studies
9 going back to 1951.

10 A. Yes, sir.

11 Q. And these are listed on your Exhibit 1.3R.
12 Can we turn to that for a minute.

13 COMMISSIONER BOYER: Would you repeat that
14 citation, Mr. Monson?

15 MR. MONSON: 1.3R. I'm sorry I'm not
16 using the new numbers. Maybe you don't have them on
17 yours, either.

18 COMMISSIONER BOYER: We will find it.

19 MR. MONSON: It's in his rebuttal
20 testimony.

21 Q. (By Mr. Monson) Dr. Dismukes, I counted
22 the number of entries on this and I got 32. Does
23 that sound about right? Have you got it yet? I'm
24 sorry.

25 A. I do not have it.

26

1 Q. It's 1.3R.

2 A. Okay.

3 Q. Is yours a two-page exhibit, by the way?

4 A. I only have one page.

5 Q. You just have one page. Okay. Because
6 most the people in the Company only have one page,
7 too. I don't know how I got two pages. I got two
8 pages.

9 A. I think in developing this there may have
10 been a second page with the income elasticities. Is
11 that what you have?

12 Q. Yes, that's what I have.

13 MR. PROCTOR: Mr. Chairman and Mr. Monson,
14 do you want me to provide him the second page?

15 MR. MONSON: I'm not going to ask him
16 about it, now that I understand what it is.

17 Q. (By Mr. Monson) Thank you, Dr. Dismukes.
18 That was part of my question is why is there a second
19 page.

20 Okay, now, you have cited on this exhibit
21 a number of studies, and I don't know the number for
22 the first page. But whatever it is, it is.

23 A. Sure.

24 Q. And the only one of those studies that is
25 after 1992 is the Bernstein and Griffin study, right?

26

1 A. Right.

2 Q. And as Dr. Hansen pointed out in his
3 rebuttal, his surrebuttal testimony, that study is
4 for the Mountain Region. Right? I mean, it is for
5 the Mountain Region. That's what you've got on your
6 exhibit.

7 A. Right.

8 Q. And it included a finding for Utah as a
9 state-specific finding; is that right?

10 A. That's right.

11 Q. And you didn't include that on this
12 exhibit, right? As far as I can see.

13 A. It is the first line.

14 Q. You think that is Utah?

15 A. Oh, no. This is the overall results from
16 the study. I'm sorry. That's not the Utah result.

17 Q. Right. I have another question for you.
18 Look down at your Beierlein, Dunn & McConnon. They
19 are all in 1981, right?

20 A. Right.

21 Q. All for the Eastern U.S.?

22 A. Right.

23 Q. All have a bunch of different values?

24 A. Right.

25 Q. And if you look at your column that talks
26

1 about methods and notes, some of them are exactly the
2 same, aren't they?

3 A. Right.

4 Q. So are those different studies or for
5 different places within the Northern U.S.?

6 A. I think it may have been different
7 specifications within a study.

8 Q. So they used different specifications and
9 got different results?

10 A. Right.

11 Q. I didn't understand what you were saying
12 when you said specifications, but I think I
13 understand now.

14 A. Different mathematical formulas.

15 Q. And it's the variables you choose to
16 explain the change in whatever you are studying, like
17 here it is the usage based on price.

18 A. Right.

19 Q. Okay. Do you know what the Bernstein
20 result was for Utah?

21 A. I believe it was insignificant, but I
22 don't know the actual point estimate.

23 Q. Okay. I'm eliminating a lot of questions
24 here. Just bear with me for a minute.

25 You also provide, in your surrebuttal

26

1 testimony, an econometric model; is that right?

2 A. Yes, sir.

3 Q. And one of your runs was based on Energy
4 Information Administration data; is that right?

5 A. Yes, sir.

6 Q. And that information is generally
7 available; is that right?

8 A. Yes, sir.

9 Q. And the other one was based on data you
10 say Questar provided to you in response to CCS data
11 request 4.05?

12 A. Yes, sir.

13 Q. Is that accurate?

14 A. I believe it is incorrect. I believe it
15 is 7.04.

16 Q. It was in the seventh series?

17 A. I'm sorry. That was misstated.

18 Q. When did Questar provide that data to you?

19 A. It was in the summer of this past year, I
20 believe.

21 Q. Wasn't it in February of 2007?

22 A. I'd have to go back and check. I thought
23 it was a little later.

24 Q. Would you accept that, subject to check?

25 A. Yes, sir.

26

1 Q. Okay. Now, the Division asked you a data
2 request about your study, and information was
3 provided in a response to a data request last Friday.
4 Are you aware of that?

5 A. Yes, sir.

6 Q. And did you help prepare that response?

7 A. Yes, sir.

8 Q. I'm going to hand you a copy of the
9 response. Is there anything confidential on it? I
10 don't think there is.

11 A. No, sir, there's not.

12 Q. Does this look like your response,
13 Dr. Dismukes?

14 A. Yes, sir.

15 Q. Can you flip to the page, it appears to me
16 to be data and it has a page number 1 on the bottom
17 of it. It is really the first page after the formal
18 part of the response. Do you see that? It says page
19 1 on the bottom.

20 A. Yes, sir.

21 Q. Okay. Now, that -- is that the data
22 Questar provided you?

23 A. No, sir.

24 Q. Where is the data Questar provided to you?

25 A. It starts on page 2.

26

1 Q. So Questar provided you with monthly data?

2 A. Yes, sir.

3 Q. Okay. Are you sure of that?

4 A. That was what was in the spreadsheet that
5 was provided in response to 704.

6 Q. Okay. Well, let me just ask you a couple
7 of questions. Turn back to the annual data. There's
8 a heading on the column, the third column, that says
9 LN Price.

10 A. Right.

11 Q. You see that?

12 A. Yes.

13 Q. That means, if I understand correctly, the
14 natural log at the price?

15 A. Right.

16 Q. So you take a price and convert it to a
17 natural log and that's what these numbers are; is
18 that right?

19 A. Right.

20 Q. And do you remember what -- natural logs
21 are based on a base of E, right?

22 A. Right.

23 Q. Do you know what E is, what the value of E
24 is? Do you remember?

25 A. Not off the top of my head.

26

1 Q. Would you accept, subject to check, that
2 it's 2.7183?

3 A. That's right.

4 Q. Does that sound about right?

5 A. Yes.

6 Q. So you are showing here or this data is
7 showing that the log of the price is -- well, let's
8 just look at one year. Let's look at 2000, although
9 they are all pretty close. But in 2000 it was 1.958,
10 et cetera. Right?

11 A. Right.

12 Q. So that would mean you take this 2.7183
13 and you raise it to the 1.958 et cetera power?

14 A. Right.

15 Q. And that would give you the price, right?

16 A. Yes.

17 Q. Would you accept, subject to check, that
18 if you do that you get 7.08 something?

19 A. That sounds about right.

20 Q. Does that sound about right? Because it
21 is two, almost three, and you are about squaring it,
22 right?

23 A. Yes.

24 Q. Okay. Now, look at your monthly data for
25 2000, or really for any period. You've got the log

26

1 price on that data and it is showing numbers that are
2 4-point-something. Right?

3 A. Okay.

4 Q. If you raise E to the 4-point-something
5 power, you get a number like 66.7, or something.
6 Right?

7 A. Uh-huh (affirmative).

8 Q. So if the annual price was about 7, how
9 could the monthly price be about 66?

10 A. Probably scale and issue. It is probably
11 6.60.

12 Q. Okay. So it is something you do with the
13 data?

14 A. Right. And you have to think about the
15 context in which this discovery request was provided.
16 The Division was late in providing this to us. They
17 provided it to us I think on a Thursday when I was
18 trying to file testimony in New Jersey as well as get
19 ready for this hearing. They wanted it provided in
20 two days. I was trying to do this and prepare
21 testimony in other places as quickly as possible.
22 It's probably scaled and I can correct this. But the
23 Discovery response wasn't formally due until the day
24 after the hearing, so I can make the change and
25 provide it to you.

26

1 Q. Okay. I don't know anything about this
2 but I looked at this and I thought it doesn't make
3 sense to me so I wanted to ask you about this. These
4 questions in some ways are in the way of discovery.
5 Dr. Hansen filed his model on June 1; is that right?

6 A. That's right.

7 Q. How long did it take to run a model like
8 this?

9 A. Not long.

10 Q. So why didn't you file your result until
11 the end of August?

12 A. At the time, when I looked at Dr. Hansen's
13 analysis in the rebuttal testimony, I didn't think it
14 deserved probably the attention associated with
15 running models at that time. I thought it kind of
16 stood on its face. It wasn't until five rebuttal
17 witnesses later saying that it was the gospel truth
18 that I felt it needed to be addressed.

19 Q. So at that point you ran the model?

20 A. Yes.

21 Q. Based on data you had had for several
22 months?

23 A. No. I didn't necessarily have the --
24 well, I had the EIA data on file that we used
25 regularly, and I told somebody, "Go pull the data and
26

1 let's run this and look at it. I can't believe that
2 these people are making these conclusions and
3 believing it's the gospel truth. Let's go run the
4 data and figure it out."

5 Q. And Questar's result for its price
6 elasticity is minus 0.06.

7 A. That's a short run elasticity within a one
8 year period.

9 Q. And do you recall what it was in the
10 Bernstein study for Utah?

11 A. I do not recall.

12 Q. Would you accept, subject to check, that
13 it was minus 0.03?

14 A. Subject to check.

15 Q. Okay. So given those two studies, does a
16 result like Dr. Hansen's seem that outrageous?

17 A. Yes, it does.

18 Q. It does to you?

19 A. It does to me.

20 Q. Okay. Now, you've recommended in this
21 case that the Commission adopt a lost revenue
22 adjustment, right?

23 A. Yes, sir.

24 Q. And you propose that Questar Gas would be
25 allowed to recover its lost revenues from DSM

26

1 programs based on projections of savings from those
2 programs; is that right?

3 A. Yes, sir.

4 Q. And then you say it should be trued up
5 based on monitoring and verification.

6 A. That's correct.

7 Q. Okay. And you haven't told us yet how
8 that true-up would occur.

9 A. Because the monitoring verification
10 process hasn't been done. It was my intention in
11 offering that, if the Commission were to decide,
12 "This makes sense, let's do this," I think this would
13 be an excellent opportunity - because there's more
14 than likely going to be a third party evaluator for
15 the monitor and verification program - for them to be
16 able to do this simultaneously as part of their job
17 task in doing the function.

18 Q. Is that true-up issue, is that the issue
19 that Dr. Powell is concerned about, he's had that
20 experience with other utilities?

21 A. I believe that's the case, yes, sir.

22 Q. Now, on lines 932 to 934 of your direct,
23 I'll let you flip to it. The question is, "Is an LRA
24 mechanism a popular regulatory tool among energy
25 efficiency advocates?" And your answer is no, right?

26

1 A. Yes, sir.

2 Q. And you're recommending an LRA in this
3 case; is that right?

4 A. That's correct.

5 Q. So does that mean you are not an energy
6 efficiency advocate?

7 A. I'm an expert, not an advocate.

8 Q. Is the Committee an energy efficiency
9 advocate?

10 A. I don't know.

11 Q. One of the Division's and Questar's
12 criticisms with the lost revenue adjustment mechanism
13 is it wouldn't make Questar Gas whole from market
14 transformation initiatives; is that right?

15 A. Yes, sir, that's right.

16 Q. And you say we shouldn't be concerned
17 about that, in your surrebuttal.

18 A. That's correct.

19 Q. And you say that market transformation
20 initiative results in long term trends, and they can
21 be dealt with by forecasted test years; is that
22 right?

23 A. That's correct.

24 Q. So I may have asked you this already but
25 if I did just tell me. Do you support the use of

26

1 forecasted test years in future Questar National Gas
2 rate cases? Questar Gas Company rate cases?

3 A. I don't have a position on that issue.

4 Q. But you have offered it as a solution to
5 several problems that you observed.

6 A. It is a solution.

7 Q. Okay. Now, under the LRA, assume the LRA
8 were approved, how would the Company increase its
9 profit?

10 A. I don't understand the nature of the
11 question. What do you mean? The profits from what?

12 Q. The natural gas distribution business.
13 How would it increase profits?

14 A. By being more efficient.

15 Q. In controlling its costs?

16 A. Yes, sir.

17 Q. Okay. And could it also increase its
18 revenues?

19 A. If costs were held constant.

20 Q. Or they could even decline. I mean, if it
21 can increase its revenues and the costs were held
22 constant it will improve the profits.

23 A. You are saying the Company will increase
24 their revenues and that's one of the ways they can
25 increase their profits? I don't know the Company can
26

1 increase their revenues.

2 Q. Well, by selling more gas.

3 A. But do they have control over that? I
4 don't know to what extent the Company has control
5 over being able to influence those factors. I mean,
6 we have, for instance, a model from the Division that
7 would suggest that customers don't react to a wide
8 variety of factors like products which the Company
9 could influence in terms of stimulating greater
10 sales. So I'm at a loss as to how the Company could
11 really stimulate those greater sales.

12 Q. So you are accepting that there's no price
13 elasticity?

14 A. No, I'm not.

15 Q. Okay. Well, okay. Wouldn't it be the
16 same as under traditional regulation? If the Company
17 wants to increase its profits, it has to either lower
18 its costs or has to increase the revenues. Those are
19 the only two ways it can do it.

20 A. I don't know if I would say that. Either
21 the Company becomes more efficient or generates more
22 revenue.

23 Q. Okay. And that's the same under an LRA or
24 under a traditional regulation?

25 A. That would be true.

26

1 Q. So would Questar Gas still benefit under
2 an LRA if use per customer increases?

3 A. Relative to its test year and the way that
4 rates were based, yes, that would be true.

5 Q. Okay. Are you aware that one of the -- I
6 hope this isn't going into history, well I think it's
7 going into the history, but I think it's fair. Let
8 me try it.

9 I'm warning you.

10 MR. PROCTOR: And I appreciate it. Thank
11 you.

12 Q. (By Mr. Monson) You're aware that one of
13 the goals of the working group that studied this
14 issue before the application was filed was to address
15 the declining usage per customer, regardless of the
16 cause; is that right?

17 A. The "regardless of the cost" part --

18 Q. No, regardless of the cause.

19 A. Oh. I know that the group was looking at
20 use per customer issues. Generally if that's what
21 you are saying, I can agree with that.

22 Q. Does an LRA mechanism address declining
23 use per customer regardless of the cause?

24 A. No, it does not.

25 Q. Thank you. You also are recommending that
26

1 the Commission conclude that there's been a shift in
2 risk and that -- I'm not exactly sure I understand
3 exactly how this works, but I guess you want a
4 finding that there's been a shift in risk. Is that
5 fair?

6 A. That would be a fair characterization.

7 Q. And then there would be an ROE adjustment
8 in the next case.

9 A. That's right.

10 Q. But you agree with the earlier questions
11 to Mr. Higgins that the evidence hasn't been
12 presented in this case from which an ROE adjustment
13 could be made?

14 A. I would agree with that.

15 Q. And I didn't notice in your resume that
16 you have ever been a cost of capital witness. Have
17 you been?

18 A. I have testified on cost of capital in
19 expropriation cases. It's on my resume.

20 Q. Okay. I missed it. Sorry. So you
21 understand the kind of process you go through in a
22 general rate case when you are providing information
23 on cost of capital.

24 A. Yes, sir.

25 Q. The witness tries to determine, based upon
26

1 a sample from other -- a sample of companies, what
2 investors expect as a return on the equity they
3 invest in the Company; is that right?

4 A. That's correct.

5 Q. Okay. Now, you also say -- there's also a
6 discussion in your testimony about -- you say, on
7 lines 564 to 567 of your direct testimony, you are
8 talking about -- I'll just read it. "Have
9 adjustments to a utility's allowed rate of return
10 from revenue neutrality proposals been recognized in
11 other utility proceedings?" And your answer is yes.

12 A. Yes, sir.

13 Q. And then you cite the CCS Exhibit 1.5.

14 A. That's correct.

15 Q. Okay. Can we turn to that for a minute.

16 A. Yes, sir.

17 Q. Now, are you trying to suggest to the
18 Commission by using this exhibit that commissions
19 have adopted or have adjusted the utility's allowed
20 ROE based on the adoption of revenue neutrality
21 programs in these cases?

22 A. No, I think my direct testimony made that
23 point.

24 Q. Okay. So these are just recommendations
25 of witnesses in these cases?

26

1 A. Right. I think the point being that there
2 have been estimates, it has been done, it has been
3 provided in the record proceedings. At this point I
4 don't believe -- well, I think that Washington, I
5 can't remember the exact decisions, lately has been
6 looking at making this adjustment. In fact, yes, the
7 settlement agreed to an adjustment and what they
8 referred to as an undefined risk-adjusted allowed
9 rate of return. So it has -- I know in Washington it
10 has been adopted.

11 In the FERC proceedings that are cited
12 here it was adopted for straight fixed variable. In
13 many of these examples it has proposals for various
14 parties, some of which have included utilities. And
15 I think the general gist of this exhibit is that it
16 can be done, it has been done, it's been in the
17 record in other proceedings. This is a range of
18 potential opportunities. Not that you would set
19 Questar's adjustment to these numbers, but it gives
20 you kind of some indication that it has been done in
21 the past.

22 Q. But in several of these states it wasn't
23 adopted, right?

24 A. In several it was not. That's true.

25 Q. That's all I was trying to get at. And on
26

1 page 19 of your surrebuttal, you criticize Mr.
2 Feingold for citing in his evidence about what other
3 states have done, legislative initiatives, right?

4 COMMISSIONER BOYER: Again, which page are
5 you on?

6 MR. MONSON: Page 19.

7 COMMISSIONER BOYER: Thank you.

8 A. What was the question again? I'm sorry.

9 Q. You criticize his examples of states where
10 they are looking at revenue decoupling on the basis
11 that he has included legislative initiatives.

12 A. I wasn't criticizing. I was clarifying
13 why I didn't include it.

14 Q. At the top of that page you say, "The
15 legislation offers broad guidance, which in some
16 instances includes revenue decoupling, but is not
17 specifically limited to this policy mechanism alone."
18 Is that right?

19 A. That's correct.

20 Q. And then you cite the Connecticut
21 legislation.

22 A. That's correct.

23 Q. And then I guess I won't characterize it
24 as a criticism but then you say Mr. Feingold has
25 conveniently omitted to note that that legislation
26

1 had a reference to return on equity adjustment.

2 A. Right.

3 Q. Do you have a copy of the Connecticut
4 legislation?

5 A. Not with me.

6 Q. And I want to represent to you,
7 Dr. Dismukes, that this is obviously just an excerpt
8 from a very long bill, apparently. Cover page and
9 then Sections 107 and part of 109. Does that look
10 right?

11 A. I'm sorry. I was reading it. What did
12 you say?

13 Q. This is just an excerpt from the bill?

14 A. I agree.

15 Q. And Section 107 is the one you were
16 talking about; is that right?

17 A. I don't know. I'm trying to go through
18 this again.

19 Q. Okay.

20 A. Yes, sir, that's correct.

21 Q. Okay. And in this bill that was passed,
22 it says, "In any rate case initiated on or after the
23 effective date of this section, the Department of
24 Public Utility Control shall order the state's gas
25 and electric distribution companies to decouple

26

1 distribution revenues from the volume of natural gas
2 or electricity sales through any of the following
3 strategies, singly or in combination." So does that
4 sound like broad, nonspecific direction from the
5 legislature?

6 A. It is broad in the sense that you can do
7 these single or in conjunction, and you have three
8 different options, and you can choose any one of
9 three that you have here because it says you will do
10 full decoupling on the use per customer basis.

11 Q. Number one is full decoupling, right? Do
12 you agree?

13 A. Yes, sir. But on -- go ahead.

14 Q. Number 2 is straight fixed variable.

15 A. Yes, sir.

16 Q. Number 3, I don't know what it is.

17 A. That's a sales -- I don't know what that
18 is, either.

19 Q. It seems like it is kind of --

20 A. That's kind of broad.

21 Q. Seems like they already said it. I didn't
22 know what they meant. But you don't know what it is,
23 either. I guess we are both confused by that one.

24 Let me -- and this is where they say that
25 when they do this, the Department, which I guess is

26

1 the commission in Connecticut.

2 A. Right.

3 Q. Shall consider the impact of decoupling on
4 rate of return, right? And that's what you were
5 referring to?

6 A. Right.

7 Q. Okay. Now, does anyone in this case
8 disagree that the Commission will look at ROE and
9 Questar's next general rate case?

10 A. I don't think anyone does. I think there
11 is an open-ended issue as to whether they will look
12 at the ROE relative to the CET or revenue decoupling.

13 Q. If any party believes that the CET should
14 result in a decrease in ROE, will it be able to
15 present that evidence in the next general rate case?

16 A. I'm not a lawyer, but that's my
17 understanding from being in this process.

18 Q. Okay. So this is going to happen. It's
19 going to be ugly, right?

20 A. It sure will.

21 MR. PROCTOR: Excuse me. Mr. Chairman. I
22 understand in gest --

23 MR. MONSON: I'm just getting tired,
24 Mr. Proctor. I withdraw my use of the word "ugly."
25 Is that what you are getting at?

26

1 MR. PROCTOR: Yeah, but there may be
2 somebody else who looks at this and maybe we don't
3 want that word in there.

4 MR. MONSON: Okay. I'm sorry. I can't
5 remember how you do that, but it can be stricken.

6 COMMISSIONER BOYER: If you like, we can
7 strike the reference to "ugly."

8 MR. MONSON: Thank you.

9 Q. (By Mr. Monson) So the difference between
10 the parties is just on this finding that you want
11 made in this case; is that right?

12 A. You know, it's my recommendation that the
13 Commission make an explicit finding, and the Division
14 has said that they will do it as -- I don't know if
15 they ruled it in or ruled it out. They said they
16 would look at it anyway. I guess the Company
17 believes that there is no need for doing this.

18 Q. The Company believes it will be considered
19 in the next rate case, right? I mean I guess. Is
20 that your understanding from the testimony?

21 A. I'm not certain.

22 Q. I'm on my last area, everybody. Cheer.
23 Should I strike that in.

24 MR. PROCTOR: No, because I'm cheering.

25 Q. (By Mr. Monson) You recommend that if the
26

1 CET is continued, it apply only to existing
2 customers. I mean, that's the shorthand way of
3 saying it shouldn't include new customers; is that
4 fair?

5 A. Can you try that again? I don't think
6 that's right.

7 Q. Okay. Say what your other recommendation
8 is.

9 A. The other recommendation was that we use a
10 revenue requirement cap to the allowed revenues not
11 on a revenue-per-customer basis, and we cap the
12 revenues that are recovered from the actual to those
13 that are allowed in the rate case. Not that new
14 customers would be excluded.

15 Q. Well, we could still add new customers but
16 you --

17 A. You are not going to get the growth impact
18 of the new customers through the revenues.

19 Q. Right. In fact, if we get that revenue,
20 it is going to be given back through CET
21 amortizations, right?

22 A. If the revenues per customer exceed the
23 target amount, they would be given back.

24 Q. Well, let's look at your exhibit. Let's
25 flip to Exhibit 1.15. Have you got it?

26

1 A. Yes, sir.

2 Q. And this is just a hypothetical example.

3 These aren't necessarily real numbers, right?

4 A. Right.

5 Q. And by the way, these are kind of

6 consistent with your prior example, right?

7 A. Yes, sir.

8 Q. You corrected the number, I think, for --

9 A. Yes, sir.

10 Q. So in this example you had 600 customers
11 and then you grew to 610. That's 600,000 and grew to
12 610,000, right?

13 A. Right.

14 Q. And so your allowed revenue is adjusted
15 based on the difference in customers, right?

16 A. Right.

17 Q. But your actual revenue is the same on
18 both sides, right?

19 A. Right.

20 Q. So you didn't take out of the actual
21 revenue the revenue associated with the new
22 customers, right?

23 A. Right.

24 Q. Okay. So that has the effect, in this
25 example, of taking the additional revenue from the

26

1 new customers and amortizing it back to the CET to
2 all customers; is that right?

3 A. You've lost me on that. I'm not following
4 you.

5 Q. Okay. Well, do you agree this is a
6 revenue cap proposal?

7 A. Yes, sir.

8 Q. That's all I'm trying to get at. That's
9 all.

10 COMMISSIONER BOYER: Thank you, Mr.
11 Monson. You've handed out four different documents
12 during the course of your cross-examination, two of
13 which appear to already be in the record, two are
14 not; the Georgia Power Company Policy Recommendation
15 and the Connecticut House Bill. Do you wish to admit
16 those into evidence or did you just use them as --

17 MR. MONSON: I'd like the ones that aren't
18 in the record admitted into evidence.

19 COMMISSIONER BOYER: How would you like
20 them marked?

21 MR. MONSON: Can we just call them Cross 1
22 and 2?

23 COMMISSIONER BOYER: We could do Questar
24 Cross 1 and Questar Cross 2. And let's call Georgia
25 Power Policy Recommendation 3.7 Questar Cross 1. And

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1 the excerpt from the Connecticut House Bill will be
2 Questar Cross 2.

3 MR. MONSON: I'd offer those.

4 COMMISSIONER BOYER: You do offer them.

5 Any objection to the admission of these two documents
6 in the record?

7 MR. PROCTOR: Not to those two,
8 Mr. Chairman. I have no objection to those two. Did
9 I hear you say, however, that there were four
10 documents; two of them are already on the record?

11 COMMISSIONER BOYER: He referred to a data
12 request.

13 MR. PROCTOR: But that's not on the
14 record.

15 COMMISSIONER BOYER: I misspoke.

16 MR. PROCTOR: And the other one is --

17 MR. MONSON: Already in the evidence.

18 COMMISSIONER BOYER: This is from the
19 original testimony; is that direct?

20 MR. MONSON: That is already in the
21 record. But the data request isn't in the record. I
22 offer that, as well. And let's call it Questar Cross
23 3, I guess.

24 MR. PROCTOR: I have no objection.

25 MS. SCHMID: No objection.

26

1 COMMISSIONER BOYER: Mr. Dodge?

2 MR. DODGE: No objection.

3 COMMISSIONER BOYER: Okay. Questar Cross
4 Number 1, which is a policy recommendation relating
5 to Georgia Power Company, Questar Cross Number 2,
6 which is an excerpt from Connecticut House Bill
7 Number 7432, and Questar Cross 3, which appears to be
8 a response to a data request are admitted into
9 evidence.

10 MR. MONSON: Thank you.

11 COMMISSIONER BOYER: Now remaining, then,
12 is cross-examination from -- well, questions from the
13 Commission, cross-examination from Ms. Schmid, and
14 redirect from Mr. Proctor. And then there are two
15 dangling issues out there, two dangling participles.
16 One would be closing statements, and I indicated at
17 the beginning that we would entertain brief,
18 relatively brief closing arguments. And then there
19 is the issue regarding Dr. Dismukes's testimony and
20 whether or not parties had an opportunity
21 appropriately to controvert that or probe it or
22 question it during the live surrebuttal. So our
23 goal, I think, should be to complete this hearing
24 today, is a long way of saying that. And I think now
25 would be an appropriate time to take an hour and 30

26

1 minute lunch break. We will reconvene at 1:30. See
2 you all here.

3 (The lunch break was taken.)

4 COMMISSIONER BOYER: Welcome back. Let's
5 go back on the record in Docket Number 05-057-T01.
6 My memory is that Mr. Monson had completed his cross-
7 examination of Dr. Dismukes and it's now Ms. Schmid's
8 opportunity to cross-examine.

9 MS. SCHMID: Thank you. The Division has
10 no questions, however.

11 COMMISSIONER BOYER: Very well. Let's go
12 to the Commission, then, and see if we might have a
13 question or two. We will start with Commissioner
14 Allen.

15 COMMISSIONER ALLEN: Thank you, Mr.
16 Chairman. That was a little quick there. Give me a
17 second to put on my thinking cap here.

18

19 EXAMINATION

20 BY COMMISSIONER ALLEN:

21 Q. One of the first things I want to clarify,
22 Dr. Dismukes, was that in your summary, I think you
23 indicated that you support the Division's
24 recommendation on a cap or caps. And I believe in
25 your testimony you supported both caps, and I'm not

26

1 quite clear. The Division is focused now I think on
2 the amortization cap of the 191.9 and not both caps.
3 So can you clarify your position on that?

4 A. I was hoping we would maintain both caps
5 on those particular programs.

6 Q. I just wanted to be clear. Thank you.

7 In your pre-filed testimony you list on
8 pages 20 through 22 a number of potential problems
9 with the CET. And you use that to indicate these
10 reasons are why it is not in the public interest.
11 I'm just wondering if you had a chance, and I realize
12 that a lot of your expert testimony and what you have
13 to offer -- maybe I used the wrong page numbers.
14 It's on your direct testimony.

15 A. Oh, it's page 20. I'm looking at line.
16 Sorry. Go ahead.

17 Q. So I realize that where you've been coming
18 from on this is to set up the stage for
19 potentialities and why these could be pretty serious.
20 But I'm wondering, since the CET has started have you
21 had a chance to revisit - and this is one of those
22 big picture questions - revisit what is actually
23 happening with the CET, analyzing any new data to see
24 if any of your concerns are starting to be supported
25 by real time evidence, or are you still looking

26

1 forward with all of this?

2 A. I think right now it appears to be the
3 case with the balances we are looking at now, \$3.5
4 and \$4.4 million, that they are relatively large in
5 proportion to the lost DNG revenues and demand-side
6 management savings and participation today. So it
7 would at least suggest to me that there are other
8 factors going on outside of demand-side management
9 initiatives that are contributing to the balances in
10 the CET. What those are exactly in terms of
11 decomposing those in price or income or other related
12 factors I don't know at this time. It could be all
13 of those or some of those.

14 Q. And yesterday you may recall I asked Mr.
15 Barrow if he thought it would be useful or very
16 important that we get through a winter heating season
17 with the CET so we could analyze more data. I think
18 he agreed that was important. How do you feel about
19 that? Wouldn't it be helpful to have a winter
20 heating season under our belt?

21 A. I think the winter heating season will
22 probably have the effect of drawing more attention to
23 demand-side management programs because prices will
24 tend to increase during the peak periods and people
25 will probably have a greater inclination to start

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1 subscribing to those programs. So you will wind up
2 seeing participation on demand-side management
3 programs and you can start comparing that to what is
4 going on in the CET. So I think from that
5 perspective you are probably right.

6 But again, I don't know that some of the
7 concerns I have raised about other exogenous factors
8 are specific only to a heating season. Those are
9 factors that can influence those balances regardless
10 of whether we are in a heating season or not.

11 Q. Okay. Well, then let me ask, let's just
12 say if, and this is a big "if," we were to accept
13 that the CET should continue, and down the road after
14 the three-year period of time we revisited the lost
15 revenue adjustment method and decided that perhaps
16 there might be some merit in that, does having been
17 in a CET mode for a few years create potential
18 problems for making a switch later and adjusting the
19 way we deal with this issue?

20 A. I think the further you get down the line
21 with a program like this, the more difficult it is
22 going to be to retrench back to another alternative
23 that would wind up resulting in effectively less
24 revenue recovery associated with the changes in
25 usage. If you moved at that point to a lost revenue

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1 adjustment mechanism, which is what I recommended,
2 that's going to be specific to the demand-side
3 management program, and not these broader classes of
4 changes that are going on with consumer demand.

5 So it becomes a little bit more difficult,
6 I think, and it's a change going back in that
7 direction. And if we continue to go along these ways
8 without adjustments, I think that it calls into
9 question the fairness and the equity and efficiency
10 issues associated with maintaining a program for an
11 additional two or three years.

12 We have had this pilot. We have been able
13 to decouple the issues of this revenue decoupling
14 proposal from the implementation of demand-side
15 management. Been able to do that. Where will it go
16 in the second and third years becomes a critical
17 junction right now with this evaluation.

18 Q. Okay. Great.

19 I think that's it, Mr. Chair. Thank you.

20 COMMISSIONER BOYER: Commissioner
21 Campbell.

22 EXAMINATION

23 BY COMMISSIONER CAMPBELL:

24 Q. Dr. Dismukes, you talked about the
25 downward trend in usage for a customer that's

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1 occurring industry-wide across the whole industry.
2 And so I guess do you believe that that downward
3 trend that we have seen for 20 or 25 years, or
4 however long it's been occurring, that that has
5 already been factored into a company's business risk
6 and so that revenue decoupling would actually change
7 that risk?

8 A. I think to a certain extent you see
9 downward pressures factored into that. But you have
10 to go to the regulatory process in order to do it.
11 It's going to be a function of the test year in which
12 you wind up going in and setting the rates that year,
13 and that year you can recalibrate to what's going on.

14 Q. Let me back up. Let's say we have been
15 doing rate cases over the last twenty years, and ROEs
16 have been granted utilities. Do you believe that
17 within those ROEs that the business risk that the
18 utilities face by this downward trend would be
19 factored in or captured in those ROEs, those ROEs
20 over the past twenty years?

21 A. It probably could well be.

22 Q. And so when Dr. Hansen says that that's a
23 statistically significant factor, wouldn't that --
24 would that indicate, then, that that's something that
25 ought to be looked at with a change to that because

26

1 of revenue decoupling?

2 A. In the long-run trend?

3 Q. Right.

4 A. Yes, sir.

5 Q. Do you know if the Committee has a
6 position on the timing of a rate case? If we were to
7 maintain the CET but use a rate case to look at these
8 risk issues, changing risk issues, does the Committee
9 have a position of when that should take place?

10 A. I do not, no.

11 Q. If the CET is continued, do you see
12 differences between the gas industry and the electric
13 industry so that we should not use this as a
14 precedent or consider it in any way for our power
15 company? You brought that up in your summary. You
16 talked about the electric industry has moved away
17 from this. Would you care to share with us some of
18 the reasons why we ought not to -- if we elect to
19 continue the CET for the gas company, what some of
20 the reasons would be why we ought not to use that as
21 a precedent for our electric company.

22 A. I think it would be difficult to separate
23 the two. I don't know if you -- I think if you
24 maintain the CET, that it would be difficult to say,
25 "Hey, look gas utilities, we want to use this and we

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1 are adopting this policy because we believe it is a
2 way of reducing your incentive to grow sales," and
3 then turn around and deprive an electric utility
4 doing that at the same time. From a policy
5 consistency perspective it seems to me you would have
6 a difficult time doing that.

7 Q. So you don't see differences between those
8 industries as far as a vertically integrated power
9 company that has its own generation and the
10 associated risk with that versus a gas utility? You
11 don't draw a distinction?

12 A. I don't.

13 Q. Okay. Thanks.

14

15 EXAMINATION

16 BY COMMISSIONER BOYER:

17 Q. Dr. Dismukes, just a couple of questions.
18 When you began your summary earlier this morning, you
19 suggested, I'm paraphrasing so correct me if I'm
20 wrong, but I think you suggested that some metrics be
21 calculated. Is it your opinion that we need more
22 time to -- let me ask this question a different way.

23 The stipulation provided for a three year
24 pilot program beginning on the date of the approval
25 of the stipulation and running three years hence. It

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1 provided for a one year review, which we are
2 conducting now. Would it make any sense to look at
3 it again in two years? Would we be likely to learn
4 anything, having gone through a heating season,
5 having watched the DSM programs roll out? Would that
6 be useful were the CET to continue? Would it not
7 make any difference?

8 A. In my opinion, no, I don't think so. But
9 I think that certainly with an additional heating
10 season the balancing effects of what you are getting
11 in terms of demand-side management in return for the
12 changes in the CET are going to become more apparent
13 as you move through this demand-side management
14 program process.

15 Q. Okay. Thank you. As I understand your
16 position, you are strongly suggesting a lost revenue
17 adjustment mechanism tied to the decrease in revenues
18 attributable to DSM, together with a forecast year,
19 to achieve the same end basically as the decoupling
20 mechanism. And you sat through the hearing
21 yesterday, did you not?

22 A. Yes, sir.

23 Q. And you heard the discussion on the
24 difficulties in utilizing a lost revenue adjustment
25 mechanism, that I think it was described by a couple

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1 of witnesses as being contentious, difficult. What's
2 your take on that?

3 A. I think that that was true probably in the
4 late '80s and early 1990s when I think a lot of those
5 perspectives were being drawn. That was a common
6 discussion that you heard during electric DSM rate-
7 making proceedings.

8 I think today, particularly in the gas
9 industry, you have a relatively straightforward
10 approach in terms of looking at the savings and
11 participation levels. The Company files these
12 quarterly reports and they certainly serve as an
13 initial benchmark that you could go to for the lost
14 revenue adjustment mechanism. We have also talked
15 about having a monitoring and verification plan to go
16 in and test to see what the achieved savings are in
17 that program that you could use as support for the
18 lost revenue adjustment mechanism and what those
19 sales adjustments ought to be.

20 In my opinion, just in the work that I've
21 been doing in the last couple of years, from an
22 academic perspective it is increasingly the case that
23 greater accountability is being required on demand-
24 side management because the use of demand-side
25 management as the resources increase, it is difficult

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1 to add a lot of capacity in investment and other
2 places. So regulators and other planners are having
3 to turn to demand-side management and you are going
4 to need to have some degree of accountability in
5 order to meet the planning requirements from
6 demand-side management. So I think the nature of
7 accountability in looking at savings is improving in
8 the industry overall, as well. That needs to be
9 taken into account of this.

10 I know this is more on the power side, as
11 well, but we are looking at big changes now in terms
12 of potentially cap and trade markets for climate
13 change and other air emissions, and people are
14 looking at using demand-side management and using
15 that as credits to offset those air emissions.
16 Again, those clean air markets are going to require a
17 lot of verification in order to use those credits and
18 I think that, again, kind of creates more
19 accountability industry-wide in terms of developing
20 monitoring verification.

21 So I think we are a long ways away from
22 where we were in the late 1980s and early 1990s when
23 many of these arguments for lost revenue adjustment
24 mechanism were being made. They are essentially the
25 same things I heard ten, fifteen years ago. And at
26

1 that time, given the resources and our understanding
2 of demand-side management and its use, that probably
3 was true.

4 Q. So if we were to approve a lost revenue
5 adjustment mechanism, what type of data would we want
6 to be collecting and looking at?

7 A. I think for the nature of this pilot
8 program, the quarterly filings that the Company is
9 making right now, and looking at essentially what
10 their targets were, what they actually achieved, what
11 the participation rate was, and what the actual
12 estimated savings were per participate and the DNG
13 revenues associated with that. The Company prepares
14 a cost benefit spreadsheet that they file with the
15 Commission right now, and part of the calculation
16 that's included in that spreadsheet today is the lost
17 revenues. You could just go pull that from the
18 spreadsheet from every quarterly filing.

19 Q. Thank you. This next question may be
20 silly and I don't mean it to be rhetorical, but we
21 have seen now for over a decade declining use per
22 customer in natural gas, not just with our utility
23 but across the country. And my question is, and
24 maybe you don't know this, but does that continue
25 indefinitely? Do we continue to decrease until we

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1 zero out and no one uses any? Or is there a point of
2 diminishing return? How does that --

3 A. I think it's a good question and I don't
4 know that there's a lot of empirical research that
5 examines that. You would expect, and I think I agree
6 with the latter point that there's going to be some
7 diminishing returns and at some point you will start
8 seeing some flattening level off. Is that a year
9 from now, two years from now? When is that trend
10 going to kick in? I don't know. I don't know that I
11 have seen a lot of empirical research on that.

12 I have tried to do some work on this and
13 look at the use per customer shifts and how they
14 change across different states. It seems that you
15 see bigger decreases in faster growing states than
16 more mature and slower growing states. I think
17 there's a lot more work that needs to be done. A lot
18 of generalizations are made on this topic, but
19 probably a lot of nuances in examinations that need
20 to be done to completely understand the decreasing
21 use trends.

22 Q. I believe your testimony was that you
23 believe there is price elasticity in this venue, in
24 this circumstance, and that long run probably higher
25 elasticity than short run. Why do you figure that

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1 is? Is that because of lag? Is it because of the
2 cumulative weight of the increased cost over time?
3 Or what is it that --

4 A. You tend to see over the long run, as
5 people have more opportunities to respond to those
6 prices, particularly in terms of appliance changes
7 and other factors that may take time, that
8 responsiveness kicks in. It is usually the case in
9 the modeling work that I have done, particularly in
10 the utility business and the energy business
11 generally, that lag effects tend to be pretty
12 important in modeling demand, whether it's for
13 electricity or natural gas or other energy products.

14 Q. Okay. Thank you. My last question is a
15 30,000 footer, as Commissioner Allen would say. But
16 the CET was presented to us in the form of a
17 stipulation, and we approved the stipulation as a
18 pilot for three years. And as with any settlement, I
19 assume people gave and they took and they
20 compromised. And I may not have a complete list here
21 but as I see it the ratepayers, what they gained from
22 the implementation of the CET is they got the \$9 .7
23 million rate decrease, they got a credit of \$1.1
24 million in the balancing account, they got the
25 promise of a more robust demand-side management

26

1 program, and assistance in helping them save on their
2 bills, lower bills through conservation even though
3 they might be paying a tad more or at least more
4 frequently be paying for the non-gas fixed charges.
5 To the extent they can save on usage, their bills
6 might be smaller. And then there are probably
7 others, as well.

8 But then on the Questar side, they get the
9 recovery of their non-gas costs and they get it in a
10 more timely fashion, and they get it regardless of
11 the cause of the decrease in usage per customer.
12 They get revenue stabilization, bragging rights,
13 let's be energy efficient and so on and so forth, and
14 probably a number of other variables here. We
15 weren't participants in that settlement negotiation.

16 Now we are here a year downstream.
17 Admittedly the program hadn't been rolled out fully
18 for the entire year and we missed the heating season.
19 But when you look at that, the quid pro quo, at one
20 year out has the calculus changed at all? Are people
21 still getting the benefit of their bargain? Are
22 there still advantages, disadvantages on both sides
23 or have you seen anything that might change the
24 equation?

25 A. As I mentioned to Commissioner Allen, at
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1 this critical juncture, at the one year period, I see
2 this as a transition moving in the opposite direction
3 for ratepayers. If you agree that those were the
4 benefits, I think the longer run, as we move the
5 second and third year out, those are kind of finite
6 and fixed. Obviously we have demand-side management
7 programs opportunities for the customers
8 participating in it. But those shares relative to
9 total customers are pretty small, as I pointed out in
10 my testimony. So on a forward-going basis, as we
11 move forward, I think the opportunities for
12 advantages to the Company outweigh those that are, on
13 a forward-looking basis, likely to accrue for the
14 ratepayers.

15 Q. Okay. That's all I have. Thank you so
16 much.

17 Now let's turn to Mr. Proctor. Cross-
18 examination? Do you have any, or redirect? We have
19 already done cross.

20 MR. PROCTOR: No. Thank you very much,
21 Mr. Chairman.

22 COMMISSIONER BOYER: Okay. Dr. Dismukes,
23 thank you.

24 There is a correction on the record that
25 Commissioner Allen discovered.

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1 COMMISSIONER ALLEN: I think at one point
2 during cross with Mr. Monson and Dr. Dismukes, there
3 was some analysis being discussed about potential
4 unintended costs, and I overheard someone say a
5 million dollars per customer. I think you meant a
6 million dollars per year. Do you remember where that
7 was? I think Mr. McKay also caught that.

8 DR. DISMUKES: That was during the
9 discussion we had relative to the incremental costs
10 associated with adding customers, as opposed to the
11 incremental revenue that you get from those
12 customers.

13 COMMISSIONER ALLEN: I think you
14 inadvertently said a million dollars per customer,
15 which would certainly be on our radar screen.

16 DR. DISMUKES: Right.

17 COMMISSIONER BOYER: Okay. Thank you,
18 Dr. Dismukes. You are excused.

19 That leaves two items, closing arguments
20 and dealing with the issue of the earlier motions to
21 strike portions of Dr. Dismukes's testimony. We
22 denied that motion, or the two motions. But we
23 agreed to let you do live surrebuttal to see if you
24 could solve some of your concerns about not having
25 had an opportunity inasmuch as there may have been

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1 new evidence presented that went beyond the scope of
2 rebuttal. Do you have a preference as to which we do
3 first? Should we do that issue first and then
4 closing arguments?

5 MR. PROCTOR: The motions.

6 COMMISSIONER BOYER: Okay.

7 MR. PROCTOR: That would be my preference.

8 COMMISSIONER BOYER: It's mine, obviously,
9 since I suggested it. So let's do that. Let's go to
10 the Company. Was the opportunity to give live
11 surrebuttal sufficient to assuage your concerns about
12 addressing these allegedly new items in the
13 testimony, or would you like, as I suggested earlier,
14 an opportunity to file something post-hearing?

15 MS. BELL: Chairman Boyer, I think the
16 Company would like to reserve the right to file
17 something post-hearing. We understand that there may
18 be ongoing discovery as between the Committee and the
19 Division with regard to discovery that they received
20 in response to questions to the surrebuttal filed by
21 Dr. Dismukes, but that discovery was not complete and
22 it does involve data that the Company produced, and
23 we still have questions that we are not clear from
24 answers during cross where that data came from
25 exactly.

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1 So I guess to the extent that we could
2 reserve that right, depending on how that discovery
3 ensues between the Committee and the Division, we
4 would like to do that. But we don't believe that we
5 have the need to do live surrebuttal.

6 COMMISSIONER BOYER: Mr. Proctor? You
7 mentioned earlier, on the first day of the hearing,
8 that you had some really great arguments opposing the
9 motion to strike those portions and that you wanted
10 to reserve the opportunity to file something. I
11 guess I should ask you first, Ms. Schmid, because you
12 also filed a motion to strike. And then Mr. Proctor.

13 MS. SCHMID: Thank you. The Division's
14 witness, Dr. Hansen, was able, in part, to respond to
15 certain statements by Dr. Dismukes in his
16 surrebuttal. However, we also await the discovery
17 response in full and would like to reserve the right
18 to supplement if anything there demonstrates that
19 supplementation is needed.

20 COMMISSIONER BOYER: Okay. Thank you.
21 Mr. Proctor?

22 MR. PROCTOR: I just polled my clients and
23 there is no outstanding discovery to the Committee,
24 nor to my knowledge is there any request that we
25 supplement our discovery responses. And indeed, the

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1 discovery that was asked for on the 12th of September
2 and responded to on the 14th of September, as
3 Dr. Dismukes testified, is now an exhibit before this
4 Commission. It is Cross Exhibit 3.0. So I don't
5 know of any outstanding discovery that would cause
6 them to wish to present additional pre-filed written
7 testimony.

8 Now, my reasons for opposing the motions
9 were based upon the fact that it was appropriate
10 surrebuttal, clearly in response to issues raised in
11 two new rebuttal witnesses, Dr. Powell, Mr. Feingold,
12 as well as Mr. McKay's surrebuttal. And that was the
13 specific issue. And under the rules of this
14 Commission, and under rules and Supreme Court
15 opinions, adopted in a civil context, it's perfectly
16 appropriate.

17 Your ruling that, in fact, if there was a
18 need, a demonstrated need to file additional written
19 testimony on that specific issue, that that might be
20 a way to resolve it initially was very, very
21 acceptable. And I think that if you were to say that
22 now, demonstrate that it's necessary and then they
23 may file it within a certain time frame, I think that
24 would be acceptable. But now we are going to wait
25 for some discovery that is yet to come and then

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1 respond?

2 I think part of the problem with the
3 scheduling order, for example, was there was no
4 discovery cutoff date, and we have gotten into this
5 sort of problem. So I just don't think that that is
6 reasonable to extend and keep open this record except
7 for a very limited purpose if it can be demonstrated
8 at this point.

9 MS. SCHMID: If I may respond?

10 COMMISSIONER BOYER: Let's let Ms. Bell
11 respond to Mr. Proctor and then you can go, and
12 Mr. Proctor can respond to you, Ms. Schmid.

13 MS. BELL: The Company's response would be
14 that there was new evidence introduced in surrebuttal
15 testimony. It was that new evidence that required us
16 to look at it and caused the Division to ask a data
17 request. There was no discovery cutoff because
18 nobody anticipated discovery would be necessary for
19 surrebuttal. Surrebuttal was only supposed to
20 respond to issues raised in rebuttal.

21 I think now we have shown, through
22 cross-examination, that this particular witness had
23 available that data that he needed to do the modeling
24 as far back as February, 2007, if I recall correctly.
25 We did not see his results or conclusions until

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1 surrebuttal was filed. In his surrebuttal he makes
2 mention of the fact that Questar had given him data.
3 We have looked at the results of the backup that the
4 Division asked for and we cannot identify that data,
5 nor could he identify it for us on Cross. I think
6 Mr. Proctor is wrong in indicating that we should not
7 have a chance to do further discovery on evidence and
8 issues that were raised for the first time in
9 surrebuttal.

10 COMMISSIONER BOYER: Let's see. Let's go
11 to Ms. Schmid and let Mr. Proctor respond to you.

12 MS. SCHMID: I agree with Ms. Bell, and
13 would like to add some more thoughts on this matter.

14 First of all, I believe that I heard
15 Dr. Dismukes, during his testimony, say that he
16 responded very quickly and that he could provide
17 additional data especially pertaining to the source
18 of certain numbers, as that was not discernible.

19 Second, this controversy highlights the
20 difficulty with witnesses not complying with
21 Commission rules, particularly R 746-110 (E) --
22 sorry, F 2, pertaining to exhibits, subpart C where
23 it's explicitly stated that the testimony should
24 explain the following, and I quote, "Explicit and
25 detailed sources of the information contained in the
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1 exhibit; methods used in statistical compilations,
2 including explanations and justifications,
3 assumptions, estimates, and judgments, together with
4 a basis, justification and results, formulas or
5 algorithms used for calculation, together with
6 explanations of inputs or variables used in the
7 calculations." None of that was presented in the
8 surrebuttal filed by Dr. Dismukes, leading the
9 Division to its data request and this current
10 controversy.

11 Again, the Division renews its request
12 that to the extent that it feels necessary that
13 written surrebuttal is necessary, that it may be
14 allowed to do so. And the Division also requests
15 Commission guidance on avoiding this problem in the
16 future through highlighting the responsibility of the
17 witnesses to provide clear and correct citations and
18 supporting documentations with their written
19 testimony. Thank you:

20 COMMISSIONER BOYER: When did you serve
21 the request for data?

22 MS. SCHMID: I believe it was on the 12th.

23 COMMISSIONER BOYER: On the 12th of
24 September?

25 MR. PROCTOR: Yes.

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1 MS. SCHMID: Yes.

2 COMMISSIONER BOYER: Okay. Dr. Dismukes's
3 testimony was filed on the 31st of August, so
4 approximately two weeks later.

5 MS. SCHMID: Yes. It does take some time
6 to review and process information, and unfortunately
7 there was a glitch on the Division's side.

8 COMMISSIONER BOYER: Mr. Proctor, does
9 that satisfy your answer that there may be discovery
10 outstanding?

11 MR. PROCTOR: No, in fact it doesn't.
12 There is no request to supplement any of the data
13 responses that we filed 48 hours after we received
14 it. I think part of the confusion comes from the
15 fact that the data response, which is the Cross
16 Exhibit 3, is dated September 4. And so I suspect
17 that Questar was relying upon the Division, its Joint
18 Applicant, to send it. Well, it wasn't sent. So
19 when our office was contacted for the response,
20 there's no questions. That's when it was sent.

21 Immediately Dr. Dismukes was pulled off of
22 another project, devoted his attention to this, and
23 provided the Division with this information which
24 interestingly is the same information that Dr. Hansen
25 submitted through Marlin Barrow on footnote 30 of

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1 page 20, Section 5.2 of the report that Dr. Hansen
2 filed in connection with his direct testimony; cites
3 the same data by saying, "Marlin Barrow provided
4 Questar price data for October 1 through November 20,
5 2006. However, EIA data were required in order to
6 include usage and weather data extending back to
7 1980. During the overlapping time frame, the
8 correlation between Questar price data and EIA price
9 data is," he quotes a number, "and provides some
10 confidence." Neither Dr. Hansen nor Mr. Barrow ever
11 provided that data either.

12 I would agree with the Division's counsel
13 that it's a practice that ought to be made more
14 crisp. But at the same time, that's not a ground to
15 strike legitimate responsive surrebuttal testimony
16 using the same information, when it's actually
17 invited by rebuttal testimony from Mr. McKay, joined
18 by Mr. Feingold, and agreed to by Dr. Powell.

19 Dr. Dismukes testified that initially
20 Dr. Hansen's assessments were so counter-intuitive
21 that it didn't require the detailed response. Then
22 you have the Division and Questar changing horses, in
23 essence, and stating, "This is the finest opinion
24 ever." And it provides no data for it. So
25 Dr. Dismukes provided the data, the same data that

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1 they had always had. It's not inappropriate
2 surrebuttal.

3 COMMISSIONER BOYER: You don't agree,
4 then, that the additional analyses, calculations, and
5 modeling was new evidence? Because it used the same
6 existing data?

7 MR. PROCTOR: It was appropriate
8 surrebuttal. It wasn't adding anything new other
9 than on direct they had a model, surrebuttal they say
10 it's the best model ever, and Dr. Dismukes responds
11 in surrebuttal, "No, there's another model. Using
12 the same data this is the outcome."

13 There is no definition in any of the
14 Public Utility Commission's statutes or your
15 administrative rules as to what direct rebuttal and
16 surrebuttal is. There's a reference to rebuttal
17 testimony in the one section that Ms. Bell cited to
18 you earlier. But there's no definition in the
19 scheduling order as to what it is. And as you most
20 correctly pointed out at the very beginning of this
21 proceeding, the Commission is entitled to and wants
22 the broadest possible group of information, data,
23 opinions and analysis upon which to make its
24 decision, in this case or in any case. There is a
25 wide latitude for example in the civil context as to
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1 cross-examination, and that's the best analogy I can
2 give at this point, where the Supreme Court has said
3 if your cross-examination is intended to probe,
4 modify, amend, challenge, or provide a different view
5 of direct testimony, it is entirely appropriate. It
6 is within the scope. And that's really what their
7 motions are all about. Is this surrebuttal testimony
8 within the scope of the issue of the direct
9 testimony? If it is, it is appropriate and it should
10 be allowed.

11 Now, I will grant the Division had a
12 problem with their discovery, sending it out.
13 Questar apparently wasn't aware of that so they
14 reacted quite negatively when they received it only
15 essentially one working day prior to the hearing. I
16 understand that. Having received two motions to
17 strike my witness's testimony at two o'clock on the
18 day before the trial, I understand their concerns.
19 That's why if, in fact, they can establish a need at
20 this point in time, having had the opportunity to
21 present their testimony surrebuttal live, if they can
22 establish that they are prejudiced in a material way,
23 in a meaningful way by that particular data response
24 having been received a day before the hearing, then
25 let them have that opportunity. I understand that.

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1 And it may help the Commission make its decision.

2 And if you believe it will, then I invite that.

3 But to continue on and to say, "Well, let
4 them do some more discovery and see if they can find
5 some justification for entering that," that's what my
6 concern is. Thank you very much.

7 COMMISSIONER BOYER: All right. Let's let
8 the moving parties have the last word. Ms. Bell?

9 MS. BELL: I think it's important to
10 remember that we had a situation here where we had
11 surrebuttal and they introduced new evidence that we
12 could not respond to effectively, that this
13 particular witness could have responded to in
14 rebuttal. In his rebuttal, he did not go into depth
15 on Dr. Hansen's model. He reserved that until
16 surrebuttal. He could have done it in rebuttal
17 because he had all the data going back until February
18 2007. His statements in his rebuttal were very high
19 level and opinionated about why he didn't like
20 Dr. Hansen's model, but didn't go to the substance.
21 He waited until surrebuttal. Thus, we are here with
22 this particular situation.

23 We looked at what was given to the
24 Division, in all fairness to the Committee, wanted to
25 wait to see if we could ascertain the underpinnings

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1 of the answers to our questions and the Division's
2 with regard to the backup to that model. We could
3 not identify the data. We could have waited until
4 Mr. Proctor had tried to move for admission of
5 Dr. Dismukes's evidence during the course of this
6 hearing and we could have made our objection then.
7 We did not. We decided, after looking and working
8 long hours, to try to determine where this data came
9 from and how it was put into this model for which we
10 still have numerous questions, that we needed to file
11 a motion to strike or object to portions of
12 Dr. Dismukes's testimony. I do not believe they were
13 placed in the record properly.

14 Even during Cross, Dr. Dismukes admitted
15 that he didn't think it would take much to correct
16 some of the mistakes that we were able to identify
17 through Cross and that he thought he could get that
18 information to us. I think this is a pretty
19 reasonable course, considering that early in this
20 hearing we decided that we weren't going to have a
21 motion to strike but the resolution of that was to
22 allow parties to either rebut in live surrebuttal or
23 to have an opportunity in written surrebuttal to
24 respond.

25 Until we get this additional data and the
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1 corrections, I don't think we can respond properly.
2 If Mr. Proctor is advocating that the Commission
3 should have the broadest analysis of all of the
4 evidence in this case, it includes all of the
5 evidence in this case, and it should include that all
6 parties get to respond to all of the evidence and how
7 it has been presented.

8 I think for those reasons, it makes sense
9 to allow the Company and the Division to have one
10 more opportunity to do written surrebuttal and to
11 further ask questions with regard to the data and
12 with regard to Dr. Dismukes's statements during cross
13 today.

14 COMMISSIONER BOYER: Ms. Schmid?

15 MS. SCHMID: Thank you. I agree that it
16 is important for the Commission to have the broadest
17 set of data possible on which to base its decisions.
18 In line with that, I believe that it is critical that
19 the Division be able to pursue needed discovery and
20 provide written surrebuttal to Dr. Dismukes's
21 surrebuttal. Dr. Dismukes's surrebuttal truly
22 introduces new evidence, new facts, new numbers, and
23 new data. My witness is willing to testify that the
24 data used was new, and written surrebuttal is
25 necessary.

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1 To the extent -- and I do not believe that
2 any prejudice would result to any party, including
3 the Committee, from this process because it was the
4 Committee's choice to wait until surrebuttal to
5 introduce this new evidence, thus depriving the other
6 parties and the Commissioners of the opportunity to
7 have the information fully vetted and discussed
8 before the hearing, or at the hearing. Thank you.

9 COMMISSIONER BOYER: Okay. The
10 Commissioners are going to caucus here for a moment.
11 Do we need to take a recess to do that? We will
12 caucus here. Talk among yourselves.

13 (A break was taken.)

14 COMMISSIONER BOYER: We all share the
15 pain. We received the motion at two-something, 2:30,
16 something like that, the afternoon before the hearing
17 commenced. You all claim to have worked until 1:30
18 in the morning. I know I stayed up late to review
19 the motions and so on. But I think what we are going
20 to do is what we decided at the beginning of the
21 hearing and that is, here is the order. Here is how
22 we are going to rule on this motion.

23 We are going to ask the Committee to at
24 least identify the source of the data in dispute, and
25 I think Dr. Dismukes said that it was Questar data.

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1 And we just want to know -- we want to disclose to
2 Questar what data that was. And I don't know what a
3 reasonable time is. I don't know what Dr. Dismukes's
4 schedule is. I'm thinking a day or so to do that.

5 MR. PROCTOR: Could you give me one
6 second?

7 COMMISSIONER BOYER: I can.

8 MR. PROCTOR: Mr. Chairman, we have
9 persuaded Dr. Dismukes to remain here tomorrow and we
10 will provide that information. Mr. Orton has gone to
11 his office and will be able to provide I think
12 e-mails from Questar that acknowledge it was, in
13 fact, their data. But the source of the data will be
14 identified clearly.

15 COMMISSIONER BOYER: Let's have the
16 Committee then identify the source of the data by
17 5:00 p.m. tomorrow.

18 MR. PROCTOR: That's correct.

19 The other thing is in connection with the
20 cross-examination that Mr. Monson put to Dr. Dismukes
21 and there was some question about a decimal point in
22 that information, that is something also that there
23 has been some discussion between Questar and
24 Committee staff about sometime ago.

25 COMMISSIONER BOYER: Let's nail that down
26

1 in the same.

2 MR. PROCTOR: We will correct that, as
3 well.

4 COMMISSIONER BOYER: Let's nail that down
5 at the same time.

6 MR. PROCTOR: Should we supply it as an
7 amended data response? How would you like that done?

8 COMMISSIONER BOYER: I think that would be
9 most appropriate.

10 MR. PROCTOR: Would you like us to file a
11 copy with the Commission?

12 COMMISSIONER BOYER: Yes. Thank you.

13 MR. PROCTOR: Thank you very much.

14 COMMISSIONER BOYER: And for the Company,
15 then, we are going to give you an opportunity to
16 respond in writing, as we discussed the first day of
17 hearing. We want to give you ample time. But we do
18 note that you have had Dr. Dismukes's testimony now
19 for 18 days, two of which were engaged here in this
20 hearing. I'm thinking five days would be an
21 appropriate number of days in which to respond.

22 Okay. That will be our order, then, on
23 that issue. And that leads us to closing arguments.

24 MS. SCHMID: Pardon me. Will the Division
25 also have an opportunity to respond in writing?

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1 COMMISSIONER BOYER: Indeed. The Joint
2 Movants. I'm sorry. The Division will also. Same
3 time frame.

4 MS. SCHMID: Is that five calendar or five
5 business days, so there's no confusion?

6 COMMISSIONER BOYER: Business days.

7 MS. SCHMID: Thank you.

8 COMMISSIONER BOYER: With that, let's
9 hear brief closing arguments. I think it's apparent
10 that we have all read the pleadings and the documents
11 and have been listening attentively. So we will
12 start with the Joint Proponents. We will start with
13 the Company, then the Division, and then we will hear
14 from Mr. Dodge and from Mr. Proctor, in that order if
15 that's satisfactory.

16 MR. EVANS: I'm Williams Evans from
17 Parsons for the Industrial Gas Users. I would like a
18 couple of minutes on closing arguments, if I might,
19 please.

20 COMMISSIONER BOYER: You surely may. Even
21 though you didn't sit through this with us, we will
22 extend the courtesy. We will let you follow Mr.
23 Dodge and then Mr. Proctor. Is it Ms. Bell or
24 Mr. Monson that will be making the closing arguments?

25 MS. BELL: I will be making it, and I will
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1 try to be brief.

2 COMMISSIONER BOYER: You have the floor.

3 MS. BELL: The Company's Conservation
4 Enabling Tariff is doing exactly what was intended at
5 the time of its approval. The Conservation Enabling
6 Tariff has removed the disincentive for the Company
7 to pursue cost effective energy efficiency programs
8 and effectively implement a key element of Governor
9 Huntsman's energy efficiency policy by removing a
10 regulatory barrier to promoting energy efficiency.

11 The state legislators' energy policy also
12 calls for the removal of regulatory barriers to
13 energy efficiency. By continuing of the Conservation
14 Enabling Tariff, the Commission is playing a key role
15 in implementing the state's energy policy. The
16 Conservation Enabling Tariff has enabled the Company
17 to offer a comprehensive range of energy efficiency
18 programs. These programs have been reviewed and
19 analyzed by the DSM advisory group and have shown to
20 be in the customer's interest. They have been
21 enthusiastically embraced by our customers. They
22 passed the cost effectiveness test. All customers
23 will save money through the implementation of cost
24 effective DSM programs.

25 As shown in Barrie McKay's QGC Exhibit 1YR

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1 1.4 entitled Therwise Update, customers are using
2 the rebate programs to increase energy efficiencies.
3 The Conservation Enabling Tariff, in concert with DSM
4 programs, is increasing energy efficiency in Utah.

5 The Conservation Enabling Tariff has
6 aligned the interest of the Company and its
7 customers. The Conservation Enabling Tariff
8 effectively addresses, through a simple and straight-
9 forward mechanism, the business challenge of
10 declining use per customer and the Company's
11 inability to recover its approved DNG revenues.

12 It is critically important to have the
13 Conservation Enabling Tariff program run its course.
14 To the extent that certain perceived outcomes for the
15 Conservation Enabling Tariff have been raised in this
16 phase of this proceeding, for example the risk
17 shifting and the level of benefits to the Company or
18 its customers, the continued operation of the
19 Conservation Enabling Tariff pilot program is exactly
20 what is needed to provide a basis to continue
21 evaluating these perceptions.

22 The continuation of the Conservation
23 Enabling Tariff is consistent with and supportive of
24 the growing number of industry-wide initiatives
25 related to revenue decoupling mechanisms in

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1 recognition of the business challenges faced by
2 natural gas utilities and the energy efficiency
3 initiatives that are being pursued by utilities for
4 the benefit of their customers. Over the course of
5 this proceeding, the Company has shown through
6 Mr. McKay's and Mr. Feingold's testimonies that there
7 is local and national momentum that demonstrates the
8 importance of pursuing energy efficiency and supports
9 mechanisms such as the CET that remove the barrier to
10 the advancement of energy efficiency by natural gas
11 utilities.

12 Utah can be a leader in energy efficiency
13 with the continuation of this pilot program.
14 However, we will not be alone, considering the
15 growing number of initiatives nationwide that
16 recognize the benefits of natural gas utilities'
17 wholehearted promotion of energy efficiency.

18 No party in this case has supported a
19 viable alternative to the CET that effectively
20 removes the company's disincentive to promote energy
21 efficiency programs. The Company, Division of Public
22 Utilities, Utah Clean Energy, Utah State Energy
23 Program, and the Governor's energy advisors, all of
24 their testimonies have shown that a lost revenue
25 adjustment mechanism is complex, contentious, and

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1 most importantly does not remove the Company's
2 disincentive to promote energy efficiency.
3 Dr. Hansen's testimony has shown that the CET does
4 not shift risk from the Company to the customer, that
5 it is not overly broad, and that challenges of
6 declining usage cannot be reasonably addressed
7 through the use of a forecasted test year.

8 The Conservation Enabling Tariff is a
9 simple mechanism that requires customers to pay only
10 the Commission-approved cost to serve them. This was
11 the result of a three year process and a one year
12 review period that included ongoing analysis and
13 review. The CET should be continued with certain
14 modifications, as reflected in the proposed tariff
15 changes shown in our direct testimony Exhibit 1YR
16 1.7. We urge the Commission to allow the pilot
17 program to continue to its conclusion so that DSM
18 programs can be effectively measured and so that the
19 Conservation Enabling Tariff can fairly be reviewed
20 after a meaningful period. Thank you.

21 COMMISSIONER BOYER: Thank you, Ms. Bell.

22 Ms. Schmid?

23 MS. SCHMID: Thank you. The Commission
24 has a great opportunity here. The Commission has the
25 opportunity to continue a pilot program which will

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1 benefit customers. The evidence on the record
2 demonstrates that the CET should be continued. The
3 evidence does not show that the CET should be
4 discontinued, and no evidence was presented about a
5 robust alternative to the CET.

6 Why should the CET be continued? It
7 should be continued because it will help customers
8 save money. Approximately 77 percent of the
9 customer's gas bill is related to gas costs.
10 Reducing gas usage saves customers money. Removing
11 the disincentive for Questar Gas to drive up sales
12 volumes benefits the gas user. Continuing the CET
13 through the remaining two years of the pilot program
14 makes sense and will also allow review of the
15 effectiveness of the DSM programs Questar began after
16 the 2006 to 2007 heating season.

17 A pilot program is designed to provide a
18 meaningful amount of time for changes to take place
19 and to evaluate the changes of those programs. Let's
20 give the pilot a chance, but let's modify it a
21 little. As the Division testified, the Division
22 recommends certain modifications to the CET such as
23 use of a rolling 36 month average of usage to
24 calculate monthly deferral amounts. The Division
25 recommends retaining the limit on a net basis on the

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1 total amount of revenue that can be amortized in any
2 twelve-month period. The Division also recommends
3 that the allowed percentage of change should be
4 modified to 2.5 of the Utah Jurisdictional GS DNG
5 revenue collected for that previous twelve-month
6 period.

7 The Division supports the Company's
8 recommendation to remove the limits on the amounts
9 that may be deferred into the 191.9 account. The
10 Division recommends enhanced monitoring of future
11 forecasts, as set forth more specifically by
12 Dr. Hansen. The Division also recommends that the
13 CET program, as modified, be suspended -- if adopted
14 by the Commission, be suspended if Questar does not
15 file a rate case by 2008 to reset the base levels and
16 to review all aspects of the Company's operations.
17 As a policy matter, the Division recommends that
18 Questar should be required to file a general rate
19 case every four years regardless of the existence of
20 a decoupling mechanism.

21 Division witness Dr. Powell pointed out
22 that the Committee has failed to produce persuasive
23 evidence that the CET or decoupling in general will
24 shift risk between the Company and its customers.
25 Dr. Powell also pointed out that the Division has

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1 great concerns about the LRA mechanism referenced by
2 Dr. Dismukes. Because there was no robust proposal
3 submitted, lost revenue accounting could only be
4 discussed in generalities and it is likely that
5 issues will arise regarding sample size and design,
6 site visits and collections, data cleaning and
7 normalization, and estimates of annual savings.
8 Plus, then we must extrapolate findings to the
9 program. Dr. Dismukes did not propose a viable
10 alternative to the CET. Even if he had, importantly,
11 an LRA doesn't remove disincentive for the Company to
12 pursue DSM.

13 Next, we can turn to Dr. Hansen's
14 testimony. Dr. Hansen demonstrated that decoupling
15 mechanisms such as a CET provide three benefits
16 relative to traditional rates. They remove the
17 utility's disincentive to promote conservation; they
18 remove the utility's incentive to promote load
19 growth; and CET programs do not significantly change
20 the customer level incentive to engage in
21 conservation. The CET is the best alternative. The
22 CET is not too broad, as the Committee asserted.

23 If we look at the evidence presented by
24 the Committee, and we compare its studies and its
25 models with evidence on the record, we find that the
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1 studies -- that the testimony provided by Dr.
2 Dismukes is not persuasive. If we look at the Rand
3 study that Dr. Hansen cited, we look at the Questar
4 IRP, and we look at the model that Dr. Hansen
5 provided and ran and discussed, his values are all
6 right in line with the other two studies. The values
7 produced by these studies are far below the estimates
8 produced by Dr. Dismukes.

9 So what does this mean when we cut through
10 all the economic theory and all the complicated
11 studies, modeling, and effects, and affects? What it
12 means is that the Commission has an opportunity to
13 seize the benefits of the CET with the modifications
14 provided or proposed, to improve the utility's
15 incentives to promote conservation without reducing
16 ratepayers' incentives to produce conservation. And
17 this can be obtained without shifting risk from the
18 Company to its ratepayers. So I urge the Commission
19 to take this opportunity to continue the CET with
20 modifications through the pilot period, and allow the
21 CET's permanent status to be determined in the
22 Company's next rate case. Thank you.

23 COMMISSIONER BOYER: Thank you,
24 Ms. Schmid. I notice Ms. Wolf in the audience. Do
25 you wish to make a closing statement?

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1 MS. WOLF: I wasn't planning on it. Thank
2 you.

3 COMMISSIONER BOYER: Thank you.

4 Mr. Dodge?

5 MR. DODGE: Thank you, Mr. Chairman. I
6 will be brief. UAE, as an organization, has actively
7 supported pursuit of all cost effective DSM by
8 utilities for many, many years. It is their
9 oft-stated position. They have demonstrated their
10 commitment to that through the years, and I think
11 nobody should misunderstand that that is a goal that
12 I think everyone here shares.

13 UAE, in the earlier phase of this, took a
14 position in position statements and testimony
15 opposing revenue decoupling as the means of
16 attempting to achieve the goal of pursuit of cost
17 effective DSM on the grounds that we think it's an
18 overbroad and poor regulatory tool from a policy
19 perspective. There are unintended consequences,
20 there are impacts on incentives and risks.

21 Having said that, when a stipulation was
22 reached to implement the pilot program, UAE elected
23 neither to support nor to oppose that stipulation or
24 the pilot program on the grounds that the GS-1 cost
25 to the UAE customers is a fairly insignificant part

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1 of their overall energy costs. And so it elected to
2 step out of that specific role at that time in terms
3 of the pilot program.

4 That still is UAE's position. We are not
5 taking any position on the pilot. However, we think
6 it is very important for this Commission to recognize
7 and state that revenue decoupling has an impact on
8 the Company's risk. I mean, who are we kidding?
9 They wouldn't be here if it didn't reduce the risk.
10 All the utilities in the country wouldn't be
11 supporting it, and virtually all the consumer groups
12 wouldn't be opposing it if it weren't for the
13 perception that it improves the risk profile of the
14 Company and harms that of the customers.

15 Now, we are not opposed to reduced risk to
16 the Company. Our clients are business people. They
17 like to reduce risk to themselves, as well. What
18 they object to is reduced risk to the Company without
19 an offsetting recognition on the cost of capital.
20 And as Mr. Higgins pointed out in his earlier
21 testimony, the problem we have here is that we are
22 incrementalized here on each step. Over the years,
23 this utility's risk has been reduced by weather
24 normalization. It was then reduced by a commodity
25 pass-through mechanism. A huge risk reducer. It was
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1 then reduced through the approval by the legislature
2 of pushing out the test year to a future period, at
3 least the potential for that; and through the use, in
4 the last few rate cases at least by most parties, of
5 the future test year. And now again with this
6 revenue assurance program. And we can call it
7 conservation enabling. That's kind of like calling
8 The Patriot Act "The Patriot Act." That isn't really
9 what it's doing. It is revenue stabilization.
10 Again, we don't object per se to revenue
11 stabilization. We do object when it comes at the
12 expense of customers and there's no offsetting
13 recognition of the reduced risk.

14 The problem we face is that at each of
15 these steps the utility, naturally, takes a position,
16 "Even though we reduced our risk, don't reduce our
17 ROEs," and they do it by pointing to other utilities,
18 some of which do and some of which don't have the
19 same risk profile. And then with the standard that
20 seems to be thrown out to demonstrate or prove that
21 this very act caused a reduction in the risk profile
22 that the rating agencies recognize. Pretty high
23 standard.

24 But incrementally over time as a utility's
25 risk is decreased and the customers pick up that
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1 risk, if it isn't recognized in the ROEs then the
2 rate is confiscatory. And that is what we urge the
3 Commission to recognize. If you continue this pilot,
4 that in the next rate case that ought to be a
5 significant issue that receives significant
6 attention. Thank you.

7 COMMISSIONER BOYER: Thank you, Mr. Dodge.
8 Mr. Evans, would you restate who you are appearing on
9 behalf of?

10 MR. EVANS: Yes. I'm appearing on behalf
11 of the Industrial Gas Users. They are a group of
12 industrials and we have not been, as you doubtless
13 have noticed, full participants in this proceeding.
14 Mr. Dodge, I think, has, far better than I,
15 articulated our position with respect to the
16 adjustment to the Company's rate of return as a
17 result of decoupling in this case.

18 We have one other issue that I even
19 hesitated to raise until I heard Commissioner
20 Campbell's question about the precedential effect of
21 the Commission's decision in this case. That is, how
22 would this affect -- how would the differences
23 between an electric and a gas utility impact the
24 Commission's decision? And the answer that
25 Dr. Dismukes gave was he didn't see that there would

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1 be any difference.

2 Given the fact that this is a proposed
3 pilot program and that it pertains to the GS-1 class,
4 the Industrial Gas Users Group has not been
5 aggressive in opposing what could be a decision that
6 carries with it precedential impact for other classes
7 and for other utilities. We, like Mr. Dodge's group,
8 intervened in this case early. We did not join in
9 the stipulation, but neither did we oppose it. And
10 in the interest of allowing the Company to implement
11 its Conservation Enabling Tariff as a pilot, we have
12 sort of stepped back out of the way.

13 Our concern, however, is that the
14 Commission -- what it does in this case may apply
15 later in other cases to other utilities. The
16 Commission's authority to separate and to approve
17 ratemaking mechanisms is a matter of statute, and the
18 Commission is authorized very specifically to approve
19 certain kinds of rate recovery mechanisms, and it is
20 not authorized to approve other kinds of rate
21 recovery mechanisms. This is one that is not
22 mentioned in the statutes. And we have taken a
23 position in other cases, not formally in this case,
24 that the Commission cannot authorize a cost recovery
25 mechanism unless it is explicitly given to them by
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1 statute to authorize it. We have not asserted a
2 challenge here because it's a pilot program. We
3 think that we will be able to assert the challenge
4 later if the decoupling -- if what the Commission
5 does in this case should be used as precedent for
6 decoupling in other cases. So we would like to
7 reserve, without asserting that challenge now, we
8 want to reserve the right to assert it later if this
9 case becomes precedent for others.

10 So to that end I guess we would just urge
11 the Commission to confine the decision in this case
12 tightly to the facts of this case. Number one, it's
13 a pilot program. Number two, it applies to the GS-1
14 class, it's a temporary measure, and that you are not
15 implementing decoupling permanently into rates. So
16 we would request that anything that the Commission
17 does in this case, it confines strictly to the facts
18 and the situation that we have here as the pilot
19 program, and design the decision in a way that this
20 does not become precedent for expansive proposals to
21 decouple. And I'll leave it at that. Thank you.

22 COMMISSIONER BOYER: Thank you, Mr. Evans.
23 Mr. Proctor?

24 MR. PROCTOR: Thank you, Mr. Chairman.
25 Everyone participating in this case or for that

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1 matter in other cases before this Commission knows
2 very well that the Committee itself gives policies
3 and direction to the Committee director, in this case
4 Ms. Beck, and its staff, and their responsibility is
5 to carry out those policies and directive. In fact,
6 by statute, Ms. Beck represents consumers and their
7 interests. Dr. Dismukes was retained to analyze the
8 CET, to review it in accordance with this
9 Commission's order. And the Committee has sponsored
10 his testimony pursuant to the direction that the
11 Committee gave.

12 Another fact that should be very obvious
13 to everyone participating in this and any other
14 docket before this Commission, or for that matter in
15 energy efficiency and conservation projects and
16 programs that the Governor, for example, has
17 initiated, knows that the Committee's director and
18 its staff have been and will continue to be actively
19 contributing participants in any utility conservation
20 and energy efficient initiatives.

21 But cloaking the CET with the idea of
22 global resource reductions, national security, as Ms.
23 Wright did, energy efficiency, conservation, anything
24 having to do with a conservation ethic, and if you
25 question how much it costs then suddenly you are

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1 anti-conservation, it's not correct and it's not
2 fair. To even ask Dr. Dismukes is the Committee a
3 conservation advocate, I think, is - and I hate to
4 use this word but I will - is disingenuous because
5 Questar knows the efforts and the participation that
6 the Committee, the staff have put towards their DSM
7 program. So we ought not to confuse in this public
8 utility regulatory forum the questioning about the
9 ratepayer impact of full sales and revenue decoupling
10 and conservation methods with the idea that somehow
11 that makes the Committee anti-conservation.

12 This Commission has an interesting role in
13 this issue because your obligation, the Committee's
14 obligation and half of the Division's obligation is
15 to make certain to assure ratepayers that the rates
16 they pay, the bottom line on the bill that they pay
17 every month represents a just, reasonable,
18 nonpreferential and nondiscriminatory rate. And
19 that's because they are buying from a monopoly which
20 fundamentally are opposed, not permitted in this
21 economic system, in this legal system. They are
22 buying from a monopoly a service that is essential to
23 customers' and families' health and well-being. And
24 accordingly, every rate they pay, even one that is
25 adjusted on a regular basis, must always pass muster,
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1 the test being just and reasonable, nonpreferential
2 and nondiscriminatory.

3 Traditionally, and the Committee believes
4 in this particular case, the only way to accurately
5 judge a rate, including one that is adjusted, is
6 through a general rate case, respecting the matching
7 principle which this Commission has acknowledged time
8 and time again and most recently very clearly in the
9 GSS case.

10 If you choose to continue the CET, our
11 recommendation would be that the CET be suspended and
12 that this Commission order the Company to file a
13 contemporary rate case to assess with accurate
14 contemporary information whether or not the rates
15 determined by the CET to the class that it's
16 applicable to are, in fact, just and reasonable,
17 nonpreferential and nondiscriminatory. The rate-
18 payer, the person paying the bill, has a right to
19 rely upon those rates as being just and reasonable.
20 And that means a general rate case scrutiny.

21 In addition, if the Commission chooses to
22 carry on with the CET, the Commission should, like
23 other utility regulatory bodies, most notably
24 Washington state, incorporate ratepayer protections
25 such as an earnings cap; performance targets;

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1 adjustments to recovery from lost revenues based upon
2 those performance targets; limits to the amount that
3 may be amortized. And the DSM should be narrowly
4 focused and very carefully monitored, very carefully
5 evaluated to see whether, in fact, the initial
6 representation made by Questar that losses from
7 declining use were the reason for the decoupling, in
8 fact, are correct.

9 Now, what I have asked for is, I would say
10 if I were representing the utility, Draconian. But
11 bear in mind that this is a monopoly. And as
12 witnesses have testified here, where their service is
13 available they are serving 99 percent of the customer
14 base. And the service that they are providing is so
15 essential that I would dare say that, unlike the
16 electric industry where, for example, Governor
17 Huntsman has announced that tonight between 9:00 and
18 10:00 he is encouraging everyone to turn your lights
19 out as a test project, a demonstration to the meaning
20 of energy efficiency and conservation, I doubt that
21 you will see Governor Huntsman announce that
22 everybody should, in February, turn their furnaces
23 off. We experienced that in December of 2003 when
24 the lights went out and therefore all the furnaces
25 went out. We know the consequences of that. So this
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1 is a different circumstance.

2 I think, too, in all fairness to the
3 Company, they have engaged finally in encouraging
4 customers to conserve. Actually, it's more accurate
5 to say that what they have done is they have agreed
6 to assume part of the responsibility, as part of this
7 regulatory compact, to efficiently manage their
8 resources and to assist and join with their customers
9 to conserve the use of natural gas. Those customers
10 have been doing it for years. The Company is
11 admirable to step up and assist them. And bear in
12 mind that under the stipulation, the Company has
13 agreed to continue with the DSM, and they are
14 compensated for everything they do, whether or not
15 there is a decoupling or any other mechanism. So
16 they have committed unconditionally to the DSM
17 programs. And I think they are receiving the
18 benefit, as counsel has pointed out how well-received
19 those programs have been amongst the customers.

20 But that's only part of the story, and
21 that's only part of the obligation. To avoid that
22 Draconian measure, which I do believe that compelling
23 them to file a rate case is, the Division and the
24 Committee have, in fact, given you an additional
25 alternative that is much simpler, much more

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1 straightforward, and actually recognizes the problem
2 that Questar originally identified, and that is
3 declining use due to conservation, recognizing that,
4 and grants them a benefit, lost revenue recovery for
5 those declining uses that are attributable to their
6 efforts now that they have joined the cause.

7 The Division, through its witness, has
8 told you that a future test year resolves a lot of
9 the issues of declining use. Dr. Dismukes has
10 described a lost revenue adjustment mechanism that
11 focuses upon the Company's DSM efforts. That solves
12 the problem for now. Will it need to be changed? I
13 have no question that it will be. Public policy is
14 not made in a single proceeding. Public policy is
15 not made over a year's period of time. Public policy
16 requires analysis, evaluation. It is not easy. It
17 is not difficult -- it is supposed to be difficult.

18 To suggest, as I believe, and I would
19 interpret Dr. Powell as saying it is very, very hard
20 and a long process to calculate a lost revenue
21 adjustment, is no reason not to do it. It is
22 supposed to be hard, as he also acknowledged.
23 Determining a rate of return or ROE for a company
24 that has normalized weather rates, a fuel
25 pass-through - and this company only sells a

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1 commodity, it doesn't do anything to it - and then
2 add on top of that a full sales and revenue
3 decoupling mechanism for all other costs for any
4 reason whatsoever, is also going to be a difficult
5 and contentious experience.

6 Well, if you are going to have to go
7 through that, go through it for the right reasons.
8 Go through it in a manner such that the end result
9 will be a just and reasonable rate, measured using
10 the traditional methods that this Commission and this
11 state and virtually every state in the land has
12 determined is the way that you can calculate those
13 just and reasonable rates; the way that you can
14 assure the customer, whether it be the 100,000 per
15 year decatherm industrial customer, or the widow on
16 the corner, to use Mr. McKay's example, are certain
17 that the rate they are paying, the bill, reflects the
18 judgment and the application by this Commission of
19 the tool that it's always used. The Committee's
20 position is that the CET really does remove from the
21 Commission the tools that you have always used to
22 examine a utility's cost of service.

23 Now let's talk for a moment about what
24 exactly is being decoupled? What is being decoupled
25 by this CET is revenue calculated as of a certain

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1 date with a certain number of customers approximately
2 three years after their last rate case when revenue
3 requirements were determined, cost of service was
4 determined, and ROEs was determined. We are not
5 decoupling the cost that the Company incurs to
6 provide service and a DNG, its distribution natural
7 gas costs. We are decoupling, in other words
8 assuring them, a revenue stream, a cash flow that may
9 or may not have any relationship whatsoever to their
10 actual DNG costs to provide service to a customer.

11 Furthermore, they are taking a broad,
12 broad category of customers, from nothing a day to
13 1250 a day, and if you multiply 1250 for 90 days, the
14 winter season, it's 112,000 decatherms a year. The
15 average customer is 83 or 84 decatherms a year.
16 Think in terms of under this decoupling program as
17 proposed, and that the Division wishes to continue as
18 well, if you have a large industrial complex that's
19 being constructed and they spend \$10 million to
20 reduce their energy costs and to conserve the use of
21 electricity and natural gas, and they reduce their
22 volume of gas usage, which let's say is 100,000
23 decatherms a year, that is a declining use that is
24 trailed all the way through that GS class, including
25 the widow on the corner who is using 83.

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1 That problem in the decoupling was known
2 to the Division, Mr. Barrow admitted to that, because
3 of the consequence and study and evaluation that
4 occurred in the GSS. And yet the Division has not
5 even asked anyone or themselves, conducted any
6 examination as to whether or not this decoupling
7 program resulted in a just and reasonable rate, given
8 the fact that there is a strong suggestion, if not
9 proof, that there is a preferential result or a
10 discriminatory result, depending upon where you are
11 at, between one customer and another within the same
12 class.

13 Rate cases are where classifications are
14 studied and determined, not in decoupling cases.
15 It's supposed to be difficult. It's intended to be,
16 because it is a complex matter. The real effect of
17 the decoupling is truly to isolate Questar from
18 scrutiny of management performance, financial
19 results, operational controls, which this Commission
20 and the Utah Supreme Court have time and time again
21 held is absolutely necessary to a reliable rate that
22 is just and reasonable and in the public interest.
23 That's why the Committee believes that the best
24 result is to invite a rate case, and I would think
25 that under these circumstances, as I have described,
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1 if you were to accept the Committee's proposal, it
2 would be absolutely appropriate to order one.
3 Perhaps not. And perhaps you could divine or design
4 some - you may divine it, too - design a program to
5 deal with the DSM until that rate case is filed as
6 opposed to suspend everything until they file it and
7 order them to file it. But that can begin that
8 process of at least bringing to the Commission the
9 question of declining use from conservation initiated
10 by the Company and examine it. If, in fact, it
11 proves that there is a greater or broader range of
12 decoupling that's appropriate, or the declining use
13 changes, the nature of it changes, the trend changes
14 as Dr. Dismukes assumes that it will, and I think
15 quite correctly, then you can make those adjustments
16 as you go forward.

17 But Dr. Dismukes is also very correct when
18 he says if you let this go through the three years
19 just as it is, you've entrenched a system of rate-
20 making and of recovery, and you can't afford to do
21 that. Let me give you an example why. We have
22 already become complacent with the CET, so much so
23 that neither the Company nor the Division provided
24 you with the current balance accrued in the CET
25 account. The Division's witness, for example, did
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1 not know that number. Dr. Dismukes just provided it
2 to you in response to your questions. Between \$3 and
3 \$4 million. And that's accrued, I believe, in the
4 most recent accrual period, a very short period of
5 time.

6 That trend of this CET is quickly getting
7 out of control. Certainly when you look at it from
8 the standpoint of the current measurements of the DSM
9 and the savings that have been derived from the DSM,
10 granted it's a new program, granted it does take time
11 for customers to become accustomed to it and used to
12 it, take advantage of it, know about it, but the way
13 that it was presented initially is not the way it is
14 now. Questar has agreed that it will do DSM
15 regardless.

16 There are states, again Washington, and I
17 recommend highly both the Cascade case, the order is
18 August 12 of 2007, and the Puget Sound energy case,
19 and I believe the order date is January 5 of 2007,
20 two companies, same state, same philosophy,
21 absolutely 180 degree different results. Puget Sound
22 Energy had a long history of dedication to
23 conservation of natural resources, managing its own
24 resources, and assisting and working with its
25 customers in doing the same. And the Commission said
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1 there is no reason for a decoupling in this case.

2 Cascade had a very different corporate
3 philosophy, agreed to adopt a conservation program.
4 Not unlike Questar. But even then, there was a
5 recognition by the Public Service Commission there
6 that decoupling should be partial, should be capped,
7 earnings should be capped, there should be
8 performance measures, and there should be discounts
9 on your recovery if you don't meet those measures.
10 And it's a pilot program. Ratepayer protections.
11 Initially full decoupling without any conditions may
12 very well have been the beginning of the programs.
13 It has now gone towards -- it's not the panacea to
14 the problem because it creates other problems.
15 There's a mismatch. It's not balanced. And that is
16 the ultimate result that this Commission must reach.

17 I want to close briefly by just saying
18 something. This has been a difficult case for
19 everyone involved. There has been a remarkable level
20 of exchange, information, open, honest, and complete
21 discussion of the issues, information, data
22 responses, data requests, an attempt to work at all
23 levels at all times to provide the information that
24 was needed. It fell apart on Friday. It fell apart
25 on Monday night. I regret if, in any way, the

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1 Committee's responses to data requests have caused
2 anyone any prejudice or tried to -- or if they feel
3 that our testimony was in any attempt to maneuver and
4 hide the ball, because that's not true. I apologize
5 if someone has that perception. You're entitled to
6 the full information in a full inquiry, information
7 that we supply to you. The Committee has certainly
8 attempted, and I believe has done so.

9 Again, Questar is to be commended for its
10 efforts in the DSM, for recognizing that there was a
11 problem that its customers were struggling with, that
12 it was struggling with, and it needs to be addressed.
13 But it needs to be addressed in a measured, balanced,
14 deliberate way. That's what the Committee is asking
15 for. That's what the Committee has developed. And
16 in conjunction with the other tools you have, the
17 future test year being the most obvious, then that is
18 the proposal that the Committee has. We strongly
19 urge you to shift the course and adopt this one. We
20 believe it's better. Thank you very much.

21 COMMISSIONER BOYER: Thank you,
22 Mr. Proctor, and everyone who has participated. And
23 again I commend you on how you have governed and
24 comported yourself during this hearing. And that
25 completes this hearing. Thank you so much.

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1 (The hearing concluded for
2 the day at 3:04 p.m.)
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REPORTER'S HEARING CERTIFICATE

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

I, Diana Kent, Registered Professional Reporter and Notary Public in and for the State of Utah, do hereby certify:

That prior to being examined, the witnesses were duly sworn to tell the truth, the whole truth, and nothing but the truth;

That said proceeding was taken down by me in stenotype on September 19, 2007, at the place therein named, and was thereafter transcribed, and that a true and correct transcription of said testimony is set forth in the preceding pages;

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

WITNESS MY HAND AND OFFICIAL SEAL this 21st day of September, 2007.

Diana Kent, RPR, CRR
Notary Public
Residing in Salt Lake County