

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Joint Application of)
Questar Gas Company, the Division of)
Public Utilities and Utah Clean Energy)
for the Approval of the Conservation)
Enabling Tariff Adjustment Option and)
Accounting Orders)

Docket No. 05-057-T01

DIRECT TESTIMONY OF

ELIZABETH WOLF

on behalf of

SALT LAKE COMMUNITY ACTION PROGRAM

MARCH 31, 2006

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Elizabeth Wolf and my business address is 764 South 200 West in Salt Lake City.

Q: ON WHOSE BEHALF ARE YOU TESTIFYING?

A: I am testifying today on behalf of Salt Lake Community Action Program for whom I am employed.

Q: HAVE YOU TESTIFIED BEFORE ON UTILITY ISSUES?

A: Yes. I have worked as a utility ratepayer advocate for Salt Lake Community Action Program since 1997. In that capacity, I have testified as a witness in many different dockets including general rate cases and cases that focus on more specific issues.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to recommend that the Public Service Commission (PSC or Commission) adopt the decrease in rates proposed in the Joint Application of Questar Gas Company et al in Docket No. 05-057-T01.

Q: DO YOU BELIEVE THAT A RATE DECREASE IS APPROPRIATE AND WHY?

A: Yes, I do believe that it would be appropriate to implement the proposed rate decrease at this time. In the Joint Application filed in this docket on December 16, 2005, the Joint Applicants proposed that rates be decreased by \$10.2 million. This amount was based on an identification of different components including a new depreciation study ordered by the Commission at the conclusion of the 2002 general rate case and a change in the long term debt financing that is favorable to ratepayers. Historical experience indicates often in cases where a company proposes to reduce rates, further investigation finds that a greater reduction is in fact warranted. In this case, further analysis of the depreciation study or other factors could demonstrate that an even greater reduction in rates would be proper. In the meantime, it would be appropriate to implement the rate reduction identified as acceptable by the Joint Applicants.

Q: SHOULD THIS RATE REDUCTION BE IMPLEMENTED ON AN INTERIM BASIS OR ON SOME OTHER

BASIS?

A: Without putting forward a legal analysis, it would seem that the Commission could either order a rate reduction on an interim basis or just order a rate reduction without entering a Final Order. The latter could be pursued pending more thorough examination of other issues in this case based on the Second Amended Scheduling Order issued by the Commission on March 2, 2006 in this docket.

Q: HOW WOULD THAT AFFECT RATES GOING FORWARD?

A: My understanding is that if rates were set on an interim basis, the Commission could later reset rates based upon further information, either increasing them or decreasing them and making the later adjusted rates effective from the period of the interim adjustment. On the other hand, if the Commission has the ability to set rates that are not “interim” but have neither been finalized, any further rate adjustment either up or down could be done on a going forward basis only.

Q: IS THERE ANY PRECEDENT FOR THIS?

A: In my experience, there have been cases in which interim rates have been employed both when rates are increasing or decreasing. We have seen instances in which an interim increase was ordered but the ensuing increase was not as high as the interim increase and thus rates were later adjusted downward accordingly. We have seen other cases in which an interim decrease was ordered but was ultimately found to be insufficient and so rates were further decreased to take that into account going forward as well as back to the time that the interim rates were implemented. In relation to pass through orders in the natural gas arena, the rates take effect even though a Final Order may not be issued for many months into the future - after parties have had a chance to fully examine the previously proposed gas costs. Only then is a Final Order issued. Some of those pass through cases are requests for increases while others are requests for decreases in rates.

Q: WHY DO YOU BELIEVE THAT A RATE DECREASE IS A GOOD IDEA?

A: As we all know, rates have risen dramatically in recent years. While natural gas rates initially increased about 34% early in this heating season, changes in the market price of purchased gas later declined due to a variety of factors nationwide. This has resulted in Questar making two separate requests for decreases in pass through proceedings for purchased gas supplies with the most recent request due to take effect April 1st. This has brought prices down about 12% from the highest point this year.

Q: ISN'T THAT GOOD FOR THE CUSTOMERS YOU REPRESENT - THOSE WHO ARE LOW INCOME AND PAY A DISPROPORTIONATELY HIGH PERCENTAGE OF THEIR INCOMES FOR ENERGY COSTS?

A: Yes, it is good for all customers who have experienced dramatically higher bills in the first several months of this heating season. And it's particularly good news for low income households that pay a much larger percentage of their incomes for energy costs. This will give all households a bit of relief from the high prices.

But we need to recognize that this is not the first year of rising costs. Both natural gas and electric bills have been rising steadily in recent years. In the height of the winter this year, energy costs - gas and electric combined - had nearly doubled since just prior to the start of the heating season in 2000.

Q: WHAT IS THE IMPACT OF THESE HIGH RATES ON LOW INCOME HOUSEHOLDS?

A: High gas costs present a huge burden for households with limited incomes. The energy burden, that is the percentage of total income paid for energy costs, of low income households is considerably higher than those of households with higher incomes. While a median income household may pay about 3 percent of its total income for energy costs, most low income households pay several times that. Some households, often those composed of people who are elderly or disabled, and on a very limited fixed income, found themselves with winter bills that

were 40 or 50 % of their total household income. This leaves those who are in that situation to make extremely difficult choices. It often results in the need to choose between between paying the utility bill or paying the mortgage or rent. Others must choose between heating and eating or purchasing critical medications required to maintain their health.

Q: SO WOULD THIS DECREASE HELP LOW INCOME HOUSEHOLDS?

A: Yes, it would because for a low income household every dollar counts. And in this case, the amount of the reduction is just about that - slightly more than a dollar a month decrease. By the same token, since the dollar amount per household is quite low, if it were later determined that rates were reduced too much, then it would not be too burdensome if those rates were readjusted.

Q: PLEASE SUMMARIZE YOUR CONCLUSION AND RECOMMENDATION.

A: We recommend that the Commission adopt the specified decrease in rates on whatever basis it believes is most appropriate - either an interim basis or going forward with the ability to adjust rates further pending the analysis anticipated in the remainder of this case. Despite the small amount of the reduction, especially when compared to the magnitude of both the increases and decreases in pass through rates just in this latest heating season, any reduction is beneficial to low income households.

Q: DOES THAT CONCLUDE YOUR TESTIMONY?

A: Yes, it does. Thank you.

Certificate of Service

I hereby certify that a true and direct copy of the foregoing Direct Testimony of Elizabeth Wolf on behalf of Salt Lake Community Action Program was served upon the following by electronic mail on March 31, 2006:

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Respectfully submitted,

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