

1 B b bb BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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3 JOINT APPLICATION OF) Docket No. 05-057-T01

QUESTAR GAS COMPANY,)

4 THE DIVISION OF PUBLIC)

5 UTILITIES, AND UTAH)

6 CLEAN ENERGY FOR THE) PUBLIC WITNESS HEARING

7 APPROVAL OF THE)

8 CONSERVATION ENABLING)

9 TARIFF ADJUSTMENT)

10 OPTION AND ACCOUNTING)

11 ORDERS)

12)

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16 September 5, 2006 * 4:30 p.m.

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18 Location: Public Service Commission

19 160 East 300 South, Hearing Room

20 Salt Lake City, Utah

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23 Commissioner Richard M. Campbell

24 Commissioner Ted Boyer

25 Commissioner Ron Allen

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

2 COMMISSIONER CAMPBELL: Let's go back on
3 the record. We are here for our Public Witness
4 Hearing.

5 Before we turn to our public witnesses, I
6 guess I'm looking for just a brief summary as to the
7 status of this docket. We heard this morning there's
8 a potential stipulation. Those who are here to give
9 public testimony perhaps did not hear that
10 information. So we want to let them know the current
11 status of this before they provide their testimony.

12 Ms. Bell, are you prepared to do that?

13 MS. BELL: I can give you an update. The
14 parties met for quite some time. The settlement
15 discussions are still confidential. We believe we're
16 moving closer to a document we hope to file. Not all
17 of the intervenors have had time to study the
18 document or to go back to their clients and see where
19 their clients are, but those discussions are moving
20 forward.

21 COMMISSIONER CAMPBELL: Thank you.

22 Now, as far as our public witness
23 testimony, there are two methods that witnesses can
24 provide testimony. They can either provide sworn or
25 unsworn testimony. If they provide sworn testimony

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1 we can use their testimony in our findings, but you
2 also open yourself up to cross-examination by the
3 attorneys. Or you can provide unsworn testimony as
4 information to the Commission.

5 With that, by way of introduction, let's
6 start with Taz Biesinger. Do you want to come
7 forward?

8 MR. BIESINGER: Where do you want me?

9 COMMISSIONER CAMPBELL: We're going to put
10 you in this chair. Let me ask you first, do you want
11 to provide sworn or unsworn testimony?

12 MR. BIESINGER: Sworn would be fine.

13 COMMISSIONER CAMPBELL: Raise your right
14 hand. Do you swear that the testimony you're about
15 to give in this proceeding is the truth, the whole
16 truth and nothing but the truth, so help you God?

17 MR. BIESINGER: I do.

18 COMMISSIONER CAMPBELL: Thank you. Please
19 be seated. Mr. Biesinger, I'm going to have Mr.
20 Proctor, who is an attorney, walk you through a few
21 questions.

22 MR. PROCTOR: Mr. Biesinger, if you could
23 please state your name and spell it for the court
24 reporter.

25 MR. BIESINGER: My name is Taz, T-A-Z,

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1 Biesinger, B-I-E-S-I-N-G-E-R.

2 MR. PROCTOR: Do you have a business
3 address, sir?

4 MR. BIESINGER: 9069 South 1300 West, West
5 Jordan, Utah, 84088.

6 MR. PROCTOR: On whose behalf are you
7 appearing here today?

8 MR. BIESINGER: The Home Builders
9 Association of Utah.

10 MR. PROCTOR: And do you have a statement
11 to present to the Commission?

12 MR. BIESINGER: I have previously sent a
13 letter to the Commission.

14 MR. PROCTOR: How did you want to -- did
15 you want to provide that or ask that that letter be
16 admitted into evidence or did you have a summary of
17 it, or what was your preference?

18 MR. BIESINGER: I would like to have that
19 letter admitted into evidence if possible. I don't
20 want to be redundant on that letter. I just have a
21 couple of quick comments in addition and then I'm
22 finished.

23 MR. PROCTOR: Mr. Chairman, does the
24 Commission have a copy of the letter?

25 COMMISSIONER CAMPBELL: I recall seeing it

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1 come through and we put it on the file. I do not
2 have it with me.

3 MR. PROCTOR: How would you wish to
4 proceed where we don't have the document?

5 MR. BIESINGER: I have a copy here if you
6 want to look at it. It's my copy, but I'm happy to
7 let you look at it.

8 MR. PROCTOR: It's a matter of having
9 something for the record.

10 Mr. Biesinger, I understand that you have
11 prepared and sent to the Commission a letter dated
12 August 29th of this year pertaining to this docket
13 which is a Questar docket; is that correct?

14 MR. BIESINGER: That is correct.

15 MR. PROCTOR: And I've provided a copy of
16 that letter to the court reporter for filing with the
17 record, but it's my understanding you've also
18 supplied a copy to the Commission directly?

19 MR. BIESINGER: I have, yes.

20 MR. PROCTOR: Did you send that letter to
21 any other party?

22 MR. BIESINGER: There were several on
23 there. I don't have them memorized. I can refer to
24 the letter if you would like me to.

25 MR. PROCTOR: If I might, Mr. Chairman, I
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1 move to admit the letter from Mr. Biesinger to the
2 Commission dated August 29th.

3 COMMISSIONER CAMPBELL: All right. Are
4 there any objections?

5 MR. BALL: Yes, Mr. Chairman. I haven't
6 received a copy of the letter, I haven't seen the
7 letter, it wasn't available on the Commission's
8 website last night.

9 MR. PROCTOR: If we could have staff make
10 a copy of the letter and at the closing of Mr.
11 Biesinger's statement perhaps I could offer it again
12 at that point.

13 COMMISSIONER CAMPBELL: That would be
14 fine.

15 MR. PROCTOR: Mr. Biesinger, if you could
16 provide a statement, then, sir.

17 MR. BIESINGER: Thank you.

18 Again, I represent the Home Builders
19 Association of the State of Utah which is a trade
20 organization representing about 3,000 builders and
21 other companies that have their livelihood in the
22 housing industry.

23 This proposal was introduced to the Home
24 Builders Association of Utah several months ago.
25 Some representatives from Questar Gas came to a Board
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1 meeting of the Home Builders Association of Utah,
2 outlined the proposal, then they were excused.

3 The Board met for quite a while and
4 discussed the pros and cons of this proposal and
5 voted unanimously to support this conservation
6 effort.

7 And I think -- again, I don't want to be
8 redundant of what's on the letter -- we think that
9 this is an opportunity for future homeowners and the
10 citizens of the State of Utah to benefit by utilizing
11 more energy efficient building techniques in new
12 construction.

13 That's it.

14 COMMISSIONER CAMPBELL: That concludes
15 your statement?

16 MR. BIESINGER: Yes.

17 COMMISSIONER CAMPBELL: Are there
18 questions for Mr. Biesinger?

19 Ms. Schmid?

20 MS. SCHMID: None.

21 COMMISSIONER CAMPBELL: Ms. Bell?

22 MS. BELL: No.

23 MR. BALL: Please, Mr. Chairman?

24 Hello, Mr. Biesinger. My name is Roger
25 Ball. I'm here representing my own interests as a
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1 consumer of Questar Gas Company.

2 I don't think anybody is going to take
3 exception to the Home Builders of Utah supporting the
4 notion of energy conservation.

5 My question is, or my first question is,
6 did your Board spend any time at all discussing
7 whether or not the mechanism that's proposed in this
8 docket for Questar Gas to recover the costs that it
9 incurs in encouraging its customers to undertake
10 conservation mechanisms, was that discussed at all?

11 MR. BIESINGER: There was an outline by
12 Questar about their -- the way they received their
13 income. I'm here to tell you that they're builders,
14 they're not economists or accountants. We didn't
15 spend a great deal of time talking about that. The
16 majority of the time was spent discussing how this
17 program could impact the builders, the building
18 industry, and more importantly, the future buyers and
19 the environment of Utah.

20 MR. BALL: From a conservation point of
21 view, do I understand you correctly?

22 MR. BIESINGER: Correct.

23 MR. BALL: Thank you very much.

24 Thank you Mr. Chairman.

25 COMMISSIONER CAMPBELL: Thank you.

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1 MR. PROCTOR: Mr. Chairman, first of all,
2 the Committee has no cross-examination questions.

3 I've distributed a copy of the August 29th
4 letter and if counsel could review it just a moment
5 and then I would like to reintroduce it as an
6 exhibit.

7 COMMISSIONER CAMPBELL: All right.

8 MR. PROCTOR: I believe at this point
9 counsel have reviewed the letter and the Committee
10 would move to admit it, if we could, as Exhibit TB1,
11 the letter of August 29th, 2006 addressed to the
12 Commission from Mr. Biesinger.

13 COMMISSIONER CAMPBELL: All right. Are
14 there any objections?

15 MS. SCHMID: None from the Division.

16 MS. BELL: None from the Company.

17 MR. BALL: None from Roger Ball.

18 MR. DODGE: None.

19 COMMISSIONER CAMPBELL: All right. We'll
20 admit it.

21 Thank you, Mr. Biesinger.

22 MR. BIESINGER: Thank you.

23 COMMISSIONER CAMPBELL: Next we have
24 Philip Powlick. Did I pronounce your name correctly?

25 MR. POWLICK: Close enough.

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1 COMMISSIONER CAMPBELL: Do you wish to
2 provide sworn or unsworn testimony?

3 MR. POWLICK: Sworn.

4 COMMISSIONER CAMPBELL: Do you swear that
5 the testimony you're about to give in this proceeding
6 will be the truth, the whole truth and nothing but
7 the truth, so help you God?

8 MR. POWLICK: I do.

9 COMMISSIONER CAMPBELL: Thank you. Please
10 be seated.

11 Mr. Proctor.

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

13 Mr. Powlick, could you state your name and
14 spell it for the record, please?

15 MR. POWLICK: My name is Philip Powlick.

16 MR. PROCTOR: I'm sorry.

17 MR. POWLICK: It happens all the time,
18 don't worry about it. Spelled P-H-I-L-I-P
19 P-O-W-L-I-C-K.

20 MR. PROCTOR: What is your business
21 address, sir?

22 MR. POWLICK: 1594 West North Temple,
23 which is the Department of Natural Resources
24 Building.

25 MR. PROCTOR: And are you employed by the
26

1 DNR?

2 MR. POWLICK: Yes.

3 MR. PROCTOR: In what capacity?

4 MR. POWLICK: I am Manager of the Utah
5 State Energy Program.

6 MR. PROCTOR: And is it in that capacity
7 that you're appearing and providing testimony today?

8 MR. POWLICK: Yes.

9 MR. PROCTOR: Have you earlier submitted
10 any written documents to the Commission?

11 MR. POWLICK: I have not. However, I do
12 have a written copy of testimony today.

13 MR. PROCTOR: Was it your request to enter
14 that into the record or simply provide the testimony
15 orally at this time?

16 MR. POWLICK: I would like to enter it
17 into the record.

18 COMMISSIONER CAMPBELL: Let me back up.
19 Do you intend to read that right now or summarize it?

20 MR. POWLICK: Well, would you prefer that
21 I summarize it? I can summarize it if that's your
22 preference.

23 COMMISSIONER CAMPBELL: No. I think what
24 -- it appears to me that his intent is to actually
25 read this into the record.

26

1 MR. PROCTOR: If that's acceptable to the
2 Commission, I'm sure Mr. Powlick would --

3 COMMISSIONER CAMPBELL: Yeah, I think
4 we'll do that.

5 MR. PROCTOR: Mr. Powlick, the Commission
6 would rather that you just simply read that into the
7 record.

8 MR. POWLICK: Thank you.

9 Good afternoon. I am Philip Powlick,
10 Manager of the Utah State Energy Program or SEP. SEP
11 is housed within the Utah Geological Survey, a
12 division of the Department of Natural Resources. Our
13 mission is to promote energy efficiency and
14 alternative and renewable energy sources and
15 technologies within the State of Utah. We receive
16 federal and state funding for public outreach and
17 assistance programs to increase the efficiency with
18 which Utah uses energy, to develop greater knowledge
19 about Utah's renewable energy resources, and to
20 promote the deployment and use of alternative energy
21 technologies in the State. Our office is one of the
22 successors to the functions of the former Utah Energy
23 Office.

24 I have been with the State Energy Program
25 since January of 2006. However, prior to coming to
26

1 Utah I worked for the State of Indiana's Energy &
2 Recycling Office for several years. I was Program
3 Manager for Energy Resources from 1998 to 2003 and
4 Director of the Energy & Recycling Office from 2003
5 to 2005. In these roles I developed experience in
6 the management of energy programs, as well as a broad
7 background in energy technology and energy policy
8 issues, including energy efficiency.

9 In testifying before you today I am
10 presenting both my own views as Manager of the State
11 Energy Program and those of Laura Nelson, Governor
12 Huntsman's Policy Advisor. Dr. Nelson and I had both
13 planned on testifying today, however, a scheduling
14 conflict has prevented her from attending. As a
15 result, this testimony was developed in consultation
16 with Dr. Nelson and she has given it her full
17 support.

18 Broadly speaking, we view the Joint
19 Application before you today as consistent with two
20 of Governor Huntsman's major policy initiatives in
21 energy efficiency and climate change.

22 On August 26 of this year, Governor
23 Huntsman announced the Utah Policy to Advance Energy
24 Efficiency and signed an accompanying Executive Order
25 on May 30th implementing the policy into State
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1 government activities. The Policy, developed in
2 conjunction with a wide variety of energy
3 stakeholders, sets a statewide goal of increasing
4 energy efficiency across all sectors in Utah by 20
5 percent by 2015. Achieving this goal will provide --
6 I'm sorry. Achieving this goal will provide, a typo,
7 direct economic benefits to the State and its
8 citizens and will also improve our state's
9 competitiveness in the global economy. While a
10 variety of specific measures are included in the
11 policy that apply to the operations of State
12 government, energy efficiency in the private sector
13 is also targeted. This includes the goal of, quote,
14 "Collaborating with Utilities, Regulators, and the
15 Private Sector to, a) Identify and remove barriers,
16 b) To create or expand efficiency programs, and c) To
17 assist utilities in ensuring that efficiency programs
18 are effective, attainable, and feasible to
19 implement."

20 In order to meet the Governor's goal,
21 significant actions within the private sector will be
22 needed and the Joint Application and Questar's
23 efforts to date to develop a series of demand side
24 management programs represent important means to
25 achieve the Governor's goal. The current rate

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1 structure for recovery of fixed costs clearly
2 represents a barrier to Questar's promotion of energy
3 efficiency programs. We cannot expect Questar to
4 embrace efficiency programs when they are detrimental
5 to shareholder interests. While some in this
6 proceeding have proposed that the Commission simply
7 order the Company to undertake demand-side management
8 programs as part of their responsibility to serve
9 Utah ratepayers, this does not remove the company's
10 disincentive. Indeed, zealous implementation of such
11 an order could open the company to legal proceedings
12 alleging breach of fiduciary duty. During my time in
13 Indiana, natural gas and electric utilities in that
14 state were anything but robust. The pattern in most
15 cases was to do as little as they could get away
16 with, or, in the case of electric utilities, to focus
17 on load shifting rather than on overall energy
18 savings. Programs for residential customers, in
19 particular, were largely ineffective or non-existent.

20 Allow me to say at this point that even
21 though I have read most of the filings in this matter
22 and I have attended several of the technical
23 conferences, I am not an economist and I am not here
24 to provide detailed analysis of whether the mechanism
25 proposed in the Joint Application is the ideal

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1 solution to this disincentive problem or whether the
2 CET will or will not affect Questar's rate of return.
3 But I will point out that the Governor's policy does
4 emphasize collaboration and cooperation between
5 public and private entities.

6 While this does not mean that we feel that
7 the Commission should simply accept whatever a
8 utility proposes in order to assure, quote,
9 "cooperation," we do feel that a solution that
10 protects the company's core interests is necessary to
11 ensure a willing partner in promoting energy
12 efficiency in Utah. We can only reach the goal of
13 improving the state's efficiency by 20 percent in
14 just nine years, 2.2 percent per year, with willing
15 partners in the private sector. I believe at this
16 point that Questar is a willing partner that can be a
17 key player in this effort, as I will discuss further
18 below.

19 Another emerging and related issue on the
20 Governor's agenda is climate change. On August 25th,
21 the Governor convened the first meeting of his new
22 Blue Ribbon Advisory Council on Climate Change to
23 review the science on climate change, address the
24 economics of climate change actions, and to evaluate
25 potential policy options. The group plans to build
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1 on activities and efforts already taking place across
2 the State as it considers potential policy
3 recommendations. Since the implementation of the
4 Governor's Energy Efficiency Plan will have
5 environmental co-benefits, it is anticipated that
6 this Council will evaluate associated reductions in
7 greenhouse gases and will consider the Plan as a
8 foundational piece of policy. This further enhances
9 the need for the State to be well positioned to
10 expeditiously and effectively implement all
11 cost-effective energy efficiency measures.

12 While carbon sequestration is one means of
13 removing carbon dioxide from the atmosphere, clearly
14 the most effective and cost-effective means of
15 combating climate change with current technologies is
16 through energy efficiency. Simply put, if we
17 increase energy efficiency as a means to burn less
18 fossil fuel, we can begin to address climate change
19 without drastic changes to our economy and our
20 lifestyle. Voluntary energy efficiency measures such
21 as those contained in utility DSM programs are an
22 important way for Utah to start to address this
23 important issue.

24 We are aware from the filings that some
25 concern has been expressed in this case regarding the
26

1 potential for shifting of risk from company to
2 customers, that Questar could potentially overearn,
3 that its profits could be, quote, "locked in," or
4 that natural gas customers who do not participate in
5 DSM programs could be harmed by higher rates. If any
6 such problems did arise, we believe they could be
7 addressed because the current proposal is for a pilot
8 program. It is our understanding that this program
9 can be undone or modified at a future date, that any
10 party could initiate such a change, and that the
11 program will be regularly audited and reviewed to
12 evaluate for any potential problems. It is further
13 our understanding that the Joint Applicants have
14 agreed to these terms.

15 We understand also that there have been
16 concerns about Questar's commitment to any DSM
17 programs and doubts raised that Questar may not be
18 willing or able to reverse its corporate culture
19 emphasizing sales volumes. Based upon my involvement
20 with the DSM Working Group that Questar has
21 established and upon review of its commitment to
22 investment and developing a DSM program ahead of
23 approval of the CET, I believe that the company is
24 committed to developing and implementing a credible
25 and robust set of DSM programs.

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1 Early in this regulatory process, as it
2 became apparent in the technical conferences that the
3 Joint Application would not be immediately resolved,
4 I, along with others such as Sarah Wright of Utah
5 Clean Energy, stressed the importance to Utah and to
6 Questar's customers of having a DSM program in-place
7 for the winter of 2006-2007. Questar's response
8 could have been to make no move until the CET was
9 approved. Instead, the company agreed that working
10 on the development of a program this summer was
11 critical and they committed to work toward that goal.

12 As a result, the company has convened
13 several working group meetings, hired Nexant for a
14 market characterization study and ongoing
15 consultation, and assigned a full-time staff member
16 to the role of DSM manager. Other staff have devoted
17 considerable time in support of this effort. In my
18 estimation, this demonstrates a good faith gesture by
19 the company to incur costs ahead of any guarantee of
20 recovery.

21 At this point, Questar has identified a
22 working menu of DSM program measures that the Working
23 Group will assess. Based upon the workings of this
24 group, I believe that Questar will work cooperatively
25 with diverse stakeholders in developing the final
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1 program. My personal experience in this process has
2 been that Questar has willingly accepted feedback
3 from me and others. The Nexant study originally
4 identified a limited menu of DSM programs. Members
5 of the Working Group suggested additional items for
6 consideration and Questar added them to the list.

7 The Nexant study also suggested limited
8 funds for marketing; a suggestion that was challenged
9 by Working Group members. Questar agreed and has
10 increased proposed marketing budgets. The company
11 has not taken a minimal or incremental approach to
12 the long-term design of programs. Rather, they have
13 expressed their intent to launch a robust set of
14 programs, including multiple measures for both
15 residential and commercial customers immediately.

16 At the most recent Working Group meeting,
17 Questar also added to its list of measures, quote,
18 "market transformation," unquote, activities aimed
19 not at specific short-term measures but at long-term
20 education, training, and building codes development.
21 These are the kind of measures that those of us who
22 have run energy programs know are necessary to
23 achieve energy savings but that are often difficult
24 to justify with simple cost-benefit calculations.

25 Taken as a whole, I believe Questar's work
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1 to develop DSM program proposals ahead of approval of
2 the CET, their embrace of feedback from stakeholders
3 on the Working Group, and their public promises to
4 deliver robust DSM programs signal a true commitment
5 to this effort and recommend that the Commission take
6 this into consideration in its review of the CET. In
7 seven years of working with utilities in Indiana
8 before coming to Utah I did not experience any
9 comparable commitment to energy efficiency, nor did I
10 experience as much willingness to listen to the input
11 of other stakeholders.

12 As stated above, we believe that it is
13 vital that a robust set of natural gas DSM measures
14 be implemented before the next heating season begins.
15 Providing consumers with both the tools and
16 incentives to reduce their natural gas usage during
17 times of peak demand, and highest prices, is
18 important for the economy of Utah and, indeed, for
19 the health and safety for those for whom utility
20 bills are a major burden.

21 To be sure, conservation measures, turning
22 down the thermostat, putting on sweaters, can be
23 employed at any time. Efficiency measures, however,
24 provide long-term means for reducing natural gas
25 usage without sacrifices of comfort or, in the case
26

1 of the elderly or ill citizens, risks to health.
2 Moreover, efficiency measures are full-time; they do
3 not stop when the cold spell is over and provide
4 savings year-round. By reducing overall demand,
5 efficiency measures also have the long-term effect of
6 reducing regional natural gas demand, allowing
7 Questar to avoid larger commodity purchases on the
8 open market. In the long-term this means lower
9 prices and greater price stability for Utah
10 residents. It is therefore our hope that the
11 disincentive for aggressive DSM measures that we
12 believe does currently exist for Questar can be
13 removed in as timely a manner as possible to allow
14 for effective programs to be launched this year.

15 Finally, we note that this hearing comes
16 at roughly the same time that Rocky Mountain Power
17 has proposed to the Commission the expansion of their
18 electricity DSM measures into the residential sector
19 with a series of prescriptive measures and
20 incentives. There is significant potential for
21 beneficial cooperation with Questar's new programs.
22 The two companies will be going after many of the
23 same measures, insulation, windows, heat pumps, and
24 washers, for example, and having separate incentive
25 programs would be an inconvenience and confusing to

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1 customers. Moreover, a joint program or joint
2 contract with a third-party provider will likely
3 result in administrative and marketing cost savings
4 to the ratepayers that will ultimately fund these
5 programs.

6 I have personally urged both companies to
7 look at establishing a joint residential effort and
8 we would urge the Commission to craft orders in this
9 and in the Rocky Mountain Power proceedings that
10 would strongly encourage or require a high degree of
11 cooperation between the two companies in the
12 residential DSM programs.

13 I appreciate the opportunity I have had
14 here today to speak and express my views and those of
15 the Governor's Office on this important issue. We
16 are, of course, aware of the settlement discussions
17 that have been taking place in recent hours and both
18 I and Dr. Nelson strongly encourage the parties to
19 reach an agreement that will benefit the parties and
20 the public.

21 Thank you for your time and commitment to
22 receiving these comments. I would be happy to answer
23 any additional questions that you have.

24 Thank you.

25 COMMISSIONER CAMPBELL: Thank you.

1 Any questions?

2 MS. SCHMID: None from the Division.

3 MR. PROCTOR: No. Thank you.

4 MS. BELL: None from the Company.

5 MR. BALL: Chairman, I appreciate Dr.
6 Powlick being here with this very carefully four-page
7 written document. Obviously, it's rather dense. And
8 since we only received it just before he began
9 speaking, it's rather difficult to formulate
10 questions immediately. This morning the Commission
11 decided to hold a hearing on a potential Stipulation
12 in this matter on Monday the 25th of September and to
13 schedule Public Witness Hearing that afternoon. I
14 wonder if Dr. Powlick would be willing to return on
15 that occasion so that we might have time to formulate
16 any questions that we might have based upon this
17 testimony at that time?

18 COMMISSIONER CAMPBELL: That's a pretty
19 unusual request for a public witness. I mean, he
20 came here like all public witnesses and provided his
21 testimony and I believe now is the time to ask any
22 questions you might have. I think it's a little --
23 it would break precedence to ask a public witness to
24 come back and to question him further. So if you
25 have questions, please ask them now.

26

1 MR. BALL: I have had no opportunity to
2 formulate appropriate questions. I'm sure there are
3 some that need to be asked, but I can't formulate
4 them at this point.

5 COMMISSIONER CAMPBELL: All right.

6 Mr. Dodge?

7 MR. DODGE: No questions.

8 COMMISSIONER CAMPBELL: Thank you, Mr.
9 Powlick.

10 MR. POWLICK: Okay.

11 COMMISSIONER CAMPBELL: Curtis Clark? Do
12 you want to provide sworn or unsworn testimony?

13 MR. CLARK: Sworn testimony.

14 COMMISSIONER CAMPBELL: Do you swear that
15 the testimony you're about to give in this proceeding
16 is the truth, the whole truth and nothing but the
17 truth, so help you God?

18 MR. CLARK: I do.

19 COMMISSIONER CAMPBELL: Thank you.

20 Mr. Proctor?

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

22 Mr. Clark, could you state your name and
23 spell it for the record, please?

24 MR. CLARK: I'm Curtis Clark, spelled
25 C-U-R-T-I-S, and Clark is C-L-A-R-K.

26

1 MR. PROCTOR: Mr. Clark, do you have a
2 business address?

3 MR. CLARK: Yes. I'm at the State Office
4 Building. It's 4110 State Office Building, Salt Lake
5 City, 84104.

6 MR. PROCTOR: You're employed by the State
7 of Utah?

8 MR. CLARK: I am.

9 MR. PROCTOR: In what capacity?

10 MR. CLARK: I am the State Energy Manager
11 for State Facilities.

12 MR. PROCTOR: And is it in that capacity
13 that you're appearing here today?

14 MR. CLARK: Yes.

15 MR. PROCTOR: Do you have a statement that
16 you would like to provide to the Commission?

17 MR. CLARK: I would like to read in a
18 statement.

19 MR. PROCTOR: Thank you. Go ahead.

20 MR. CLARK: Good afternoon. I am Curtis
21 Clark, State Energy Manager for the Division of
22 Facilities Construction and Management. I have 27
23 years of experience in green building design, energy
24 engineering, and commercial construction. I am a
25 Professional Engineer licensed in Utah and many other
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1 states. I am also the Chair of the US Green Building
2 Council, Utah Chapter. In my career, all my areas of
3 expertise are centered on building and energy
4 efficiency.

5 I'm representing today DFCM's support for
6 the approval of the Conservation Enabling Tariff
7 Adjustment Option and Accounting Order.

8 For this fiscal year our goal is to
9 improve energy efficiency in State buildings by 2
10 percent. With Questar's tariff, the State could save
11 nearly \$120,000 in natural gas cost. We believe the
12 reduction of -- a reduction of market purchased gas
13 would offset the cost of the Questar DSM program.
14 Incentives will help offset the incremental costs and
15 promote gas energy efficiency measures.

16 In July 2005, Governor Huntsman assigned
17 the administration of the State Building Energy
18 Efficiency Program with the Division of Facilities
19 Construction and Management. It establishes and
20 implements energy savings programs in State-owned
21 buildings. DFCM will report the accomplishments to
22 the Governor and Legislature.

23 There are more than 2,000 State buildings
24 with 42 million feet of floor space. We spend nearly
25 \$60 million on energy costs, \$28 million in natural
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1 gas, \$32 million on electricity. Approximately
2 \$10 million is in the GS-1 rate.

3 On March the 15th, 2006, the Utah Building
4 Board approved design standards for State buildings
5 to improve energy efficiency and to promote
6 integrated design of components based on design goals
7 to maximize building performance by providing better
8 air quality, better lighting, and better acoustics.
9 This work was developed from a High Performance
10 Building Task Force consisting of representatives of
11 State agencies and institutions.

12 In most buildings the State will invest
13 energy efficiencies to save between 20 to 40 percent
14 of operating cost. Currently we have 23 buildings
15 that are designed with a construction budget of \$427
16 million. Six of these buildings would fall under the
17 Questar GS-1 rate. The State would study the
18 following energy efficiency measures in natural gas;
19 high efficiency furnace, condensing boilers, and
20 advanced building controls.

21 DFCM has also established a
22 recommissioning program. Commissioning is a new
23 building that helps to ensure the equipment is
24 installed and operating as intended. Recommissioning
25 is in existing buildings and helps to restore the

26

1 original and intended operating performance. It is
2 targeted on building performance by improving system
3 operation, reducing maintenance and repairs and
4 costs, extending equipment lives, improving occupant
5 comfort and productivity for tenants and employees.
6 It is implemented with no or low-cost energy
7 efficiency measures. Currently we have seven
8 buildings that are in the recommissioning program
9 with a partnership with Rocky Mountain Power. Three
10 of these buildings fall under the GS-1 rate.

11 The State would study the following
12 measures; nighttime and weekend shutdown controls,
13 summer boiler shutdown with VAV box programming,
14 demand ventilation controls, and boiler burner
15 tune-ups.

16 DFCM has under development 45 separate
17 energy efficiency products -- projects, I'll say.
18 Although all these projects will have a contract with
19 Rocky Mountain Power for demand-side management
20 services that provide utility to improve the
21 efficiency of electricity, about 50 percent of these
22 projects would fall under the GS-1 rate which we
23 would have used.

24 The State would study the following energy
25 efficiency measures in natural gas; boiler stack
26

1 economy, attic and roof insulation, window
2 replacement, steam trap replacement, and many others.

3 I appreciate this opportunity to express
4 my views on this important issue. I'm open for
5 questions.

6 COMMISSIONER CAMPBELL: Thank you.

7 Any questions?

8 MS. SCHMID: None from the Division.

9 COMMISSIONER CAMPBELL: Any from you, Mr.
10 Proctor?

11 MR. PROCTOR: No. Thank you, Mr.
12 Chairman.

13 COMMISSIONER CAMPBELL: Ms. Bell?

14 MS. BELL: None from the Company.

15 COMMISSIONER CAMPBELL: Mr. Ball?

16 MR. BALL: Thank you, Chairman.

17 Mr. Clark, you've said a great deal about
18 energy efficiency and the benefits that conservation
19 through those measures can bring to the State budget
20 and generally.

21 Have you given any thought to the
22 mechanism that's proposed in this docket for Questar
23 Gas Company to recover the costs it incurs in
24 encouraging such measures?

25 MR. CLARK: I have not studied that
26

1 situation.

2 MR. BALL: Thank you very much.

3 Thank you, Mr. Chairman.

4 COMMISSIONER CAMPBELL: All right. Thank
5 you very much, Mr. Clark.

6 Clark Ivory? Sworn or unsworn testimony?

7 MR. IVORY: Sworn would be fine.

8 COMMISSIONER CAMPBELL: All right. Please
9 stand up there and raise your arm. Do you swear that
10 the testimony you're about to give in this proceeding
11 is the truth, the whole truth and nothing but the
12 truth, so help you God?

13 MR. IVORY: I do.

14 COMMISSIONER CAMPBELL: Thank you.

15 Mr. Proctor?

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

17 Mr. Ivory, if you could state your name
18 and spell it for the record.

19 MR. IVORY: Clark Ivory, C-L-A-R-K
20 I-V-O-R-Y.

21 MR. PROCTOR: What is your business
22 address, Mr. Ivory?

23 MR. IVORY: 978 Wood Oak Lane, Salt Lake
24 City, 84117.

25 MR. PROCTOR: On whose behalf are you

26

1 appearing here today?

2 MR. IVORY: I'm the CEO of Ivory Homes and
3 I represent Ivory Homes at this point.

4 MR. PROCTOR: Do you have a written
5 statement that you would like to read?

6 MR. IVORY: I have a letter that I penned
7 earlier today that I would leave with the
8 Commissioners.

9 MR. PROCTOR: If you could read your
10 letter into the record as well as leave a copy, that
11 would be helpful.

12 MR. IVORY: Okay, certainly.

13 "Dear Commissioners. Ivory Homes
14 encourages the Public Service Commission of Utah to
15 approve the proposed Conservation Enabling Tariff now
16 under consideration.

17 "With the rising cost of energy, Ivory
18 Homes is more committed than ever before to
19 introduce new products and new designs that will
20 enhance energy savings and conservation. Buyers are
21 demanding such changes and we want to respond to them
22 positively.

23 "The PSC should likewise be committed to
24 innovative approaches to utility ratemaking.
25 Especially important now are approaches that will

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1 help builders provide what new homeowners are
2 demanding; more energy efficient construction.

3 "This year Ivory Homes became the first
4 Utah construction company to build 10,000 homes for
5 Utah families. Depending on the market, it may only
6 take us seven or eight years to build the next 10,000
7 homes. However, we want to do more than just build
8 homes. We want to create and develop a product that
9 will enhance both our home buyers' lifestyle and
10 their economy.

11 "Although including energy saving features
12 is the right thing to do, we have to use methods that
13 are economical for the customer. A pilot program
14 that may include incentives for builders and
15 homeowners will certainly help. We all need to work
16 together with common goals and commitment. Then, and
17 only then, will changes be made.

18 "Ivory Homes strongly supports Questar
19 Gas' proposal as good for builders, good for our
20 state, and good for Utahns."

21 Let me add that we would also support
22 anything that Rocky Mountain would try to accomplish
23 in this area.

24 COMMISSIONER CAMPBELL: All right.

25 MR. PROCTOR: Does that conclude your
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1 comments?

2 MR. IVORY: No. I have a few other things
3 to say.

4 You know, as we approached just recently
5 our 10,000 home celebration this summer, we took time
6 to pen our principles to clarify to our own employees
7 what was really important to us. And there's no
8 question that, whether it's a state or any other
9 organization, a family or a business, you will always
10 make better decisions if you are driven by principle.

11 And so what we did was we focused on
12 principles in five areas as they related to our
13 people; our product, our process, the planet, and
14 profitability, of course.

15 And let me just read to you just one
16 paragraph as it relates to the planet. "We care
17 about the larger world that we live in and our very
18 own community. It's ours, it's where we live and
19 where we raise our children, and we know it's our
20 responsibility to make it better."

21 Conservation. We all need to conserve the
22 valuable resources of our planet. To us this means
23 energy-saving packages available which not only
24 conserve the earth's resources, but save our
25 homeowners hundreds of thousands of dollars over the

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1 life of their home. But conserving is also part of
2 how we design and build communities. Wise planning
3 of open space and landscaping is good for the whole
4 community as well as the environment.

5 I think the steps that are made, that are
6 coming forward as settlement is perhaps approached,
7 are very progressive and needed. And at this point I
8 believe there's a bit of a window of opportunity.
9 Builders have a greater and heightened sense of a
10 need to do something in this area right now. Our
11 customers are calling for it.

12 I would urge the Commission to act on this
13 so that we can work on a pilot program that might be
14 beneficial to those who are calling out for it right
15 now.

16 That's the end of my comment.

17 COMMISSIONER CAMPBELL: All right. Thank
18 you.

19 Any questions?

20 MS. SCHMID: None from the Division.

21 MR. PROCTOR: No thank you.

22 MS. BELL: No comment.

23 COMMISSIONER CAMPBELL: Mr. Ball, any
24 questions?

25 MR. BALL: Thank you, Mr. Chairman.

26

1 Hello, Mr. Ivory.

2 MR. IVORY: How are you?

3 MR. BALL: I'm good, thank you. And you?

4 MR. IVORY: Fantastic.

5 MR. BALL: Good.

6 I'm going to ask you much the same
7 question that I've asked a couple of the folks ahead
8 of you. It's clear that you're very committed to the
9 idea of energy efficiency in the homes that you want
10 to build.

11 Have you or any of your colleagues or
12 anyone on behalf of Ivory Homes spent any time
13 looking at the question of Questar Gas Company's
14 method of recovering costs it incurs in stimulating
15 such programs?

16 MR. IVORY: Unlike governmental entities
17 that you've quizzed on the same thing before, we
18 always look at the bottom line. Not that they don't
19 always, but we find ourselves intensely focused on
20 how it's going to be enacted for our customer mostly.
21 And certainly the rates at Questar affect all of our
22 customers as well. And so we're very interested in
23 that.

24 I do think, though, that there's a
25 balancing act right now that's going on in our

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1 greater community where we're going to have to make
2 some positive trade-offs or some trade-offs in order
3 to get these energy efficiencies put into place
4 because there is this gentle balance here, this fine
5 balance between affordability which every builder is
6 pushing for on behalf of their customer, and it's
7 becoming more needed as home prices have been
8 escalating dramatically over the last few years, and
9 giving them energy saving techniques, whether it be
10 through appliances, greater "R" value in their homes
11 through insulation and windows, whether there's other
12 ways we can capture energy and transfer it through
13 the home and be more efficient. There's all kinds of
14 ways we can approach this, and we measure every
15 single thing. We will be very interested in the
16 specific proposal that they come forward with as
17 builders.

18 But we're also interested in knowing that
19 the overall rates to the customers are not going to
20 be dramatically increased to the point that
21 affordability is also in question. But I think that
22 overall this is not a zero sum game, but there are
23 opportunities for us to go ahead and see benefits for
24 all of us as a community. And that even though we
25 might see some rate increases initially to help put

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1 these programs into place, that it's very likely that
2 the eventual outcome will lead to enough energy
3 savings that perhaps our rates will be less.

4 And so we have had some discussions.
5 Certainly we don't know all the fine points, but we
6 do talk about this thing all the time and we think
7 it's a very progressive notion that both Questar and
8 Rocky Mountain will be involved with the building
9 community to look at seeing if we can make some
10 improvements here at this time. And I think it's a
11 window of opportunity, Mr. Ball, that we need to all
12 take advantage of.

13 MR. BALL: Thank you for that answer. I'm
14 not sure that I actually heard a direct response to
15 my question.

16 Have you or anyone at Ivory or for Ivory,
17 in fact, studied the proposed cost recovery mechanism
18 in this docket?

19 MR. IVORY: You know, I don't think I have
20 to have studied the exact mechanism to understand in
21 philosophy what's going on.

22 MR. BALL: That wasn't the question, sir.
23 Am I to take it that, in fact, no one has studied it?

24 MR. IVORY: Do you want to give me in a
25 sentence or two the mechanism?

26

1 MR. BALL: No. I want to know whether you
2 or anyone has studied it on your behalf?

3 MR. IVORY: Like I say, we have studied in
4 detail many things relating to this and will continue
5 to study those. And this is a pilot program and we
6 certainly look forward to looking at it in its
7 finery.

8 MR. BALL: Would you describe for us,
9 please, the study process that you've undertaken?

10 MR. IVORY: Like I said, every month we
11 look at these things in detail. We have a cost
12 control group that gathers and looks at the impact on
13 our home buyers. Going forward we will continue to
14 look at these things. And in truth, understanding
15 both the mechanism or the programs the way they will
16 be set up with the builders will be important to us.

17 Now, have I looked at the fineries of the
18 mechanism? No.

19 MR. BALL: Thank you very much.

20 COMMISSIONER CAMPBELL: Mr. Dodge?

21 MR. DODGE: No questions.

22 COMMISSIONER CAMPBELL: Thank you, Mr.
23 Ivory, for coming.

24 Any other witnesses since the initial --

25 MR. PROCTOR: I'm informed there are none.

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1 COMMISSIONER CAMPBELL: All right. Thank
2 you. We'll adjourn.

3 (The taking of the deposition was
4 concluded at 5:15 p.m.)

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C E R T I F I C A T E

STATE OF UTAH)

: ss.

COUNTY OF SALT LAKE)

I, LANETTE SHINDURLING, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public in and for the State of Utah, residing at Salt Lake City, Utah hereby certify;

That the foregoing proceeding was taken before me at the time and place herein set forth, and was taken down by me in stenotype and thereafter transcribed into typewriting;

That pages 1 through 44, contain a full, true and correct transcription of my stenotype notes so taken.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Salt Lake City, Utah, this 21st day of September, 2006.

LANETTE SHINDURLING, RPR, CRR
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