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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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  
**RESPONSE OF JOINT APPLICANTS TO  
MEMORANDUM OF COMMITTEE  
AND UAE PETITION TO INTERVENE  
AND POSITION STATEMENT**

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Questar Gas Company (Questar Gas or Company), the Utah Division of Public Utilities (Division) and Utah Clean Energy (collectively Joint Applicants) respond to the memorandum filed by the Utah Committee of Consumer Services (Committee) and the Petition to Intervene

and Position Statement of Utah Association of Energy Users (UAE) in this docket on January 31, 2006.<sup>1</sup>

## **BACKGROUND**

Joint Applicants filed an application in this docket on December 16, 2005, seeking approval of a three-year pilot program for the Conservation Enabling Tariff and Demand-Side-Management, an associated \$10.2 million rate reduction and related accounting orders. The Joint Application was the culmination of three years of work on these issues by various task forces established in Docket No. 02-057-02 involving the Joint Applicants, the Committee, industrial customers and other interested persons. The primary purpose of the Joint Application is to align the interests of the Company, its customers, regulators and other interested persons in promoting cost-effective Demand-Side-Management programs.

The Committee participated in most of the task force meetings. In fact, the Conservation Enabling Tariff was specifically designed in part to address concerns raised by the Committee. Nevertheless, the Committee elected to withdraw from the final negotiations of the Joint Application, including participation in an audit conducted by the Division on which the rate reduction was based. Ultimately, the Committee declined to join the Joint Application.

The Conservation Enabling Tariff/Demand-Side Management Pilot Program and the proposed rate reduction, are dependent and contingent on each other. The proposed rate reduction and aggressive implementation of Demand-Side Management are only just and reasonable if the revenue stability offered by the Conservation Enabling Tariff is in effect. This was fully explained in the workshops, technical conferences and testimony filed by Joint Applicants. *See* Dr. Powell's testimony at lines 164-277. *See* Mr. McKay's testimony at lines

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<sup>1</sup> Joint Applicants reserve the right to provide additional response to substantive positions stated by UAE. This response is limited to the purpose of the hearing on February 3, 2006.

192-207, 260-270, 483-485 and 555-581. On January 3, 2006, a scheduling conference was held. A technical conference regarding natural gas demand-side management was scheduled for January 13, direct testimony to be filed by any party was scheduled for January 13, and a hearing was scheduled for January 18.

On January 12, 2006, in response to questions from the Committee and other interested persons, a workshop was held to discuss the Conservation Enabling Tariff. Based on that workshop, Joint Applicants determined that an additional technical conference would be of assistance in increasing the understanding of the parties and interested persons. Accordingly, on January 13, 2006, Joint Applicants requested and the Commission ordered a change in the schedule to permit an additional technical conference on January 20, to set testimony filing dates for January 23 and January 31 and a hearing for February 3.

Technical conferences were held on January 13 to discuss Demand-Side Management and on January 20 to discuss the Conservation Enabling Tariff, the proposed rate reduction and other aspects of the Joint Application. Joint Applicants filed direct testimony on January 23. As summarized above and as stated in the filed testimony, the Joint Application, the workshop, the technical conferences and the filed testimony, have made clear that the rate reduction proposed in the Joint Application is inextricably linked to the Conservation Enabling Tariff/Demand-Side Management Pilot Program.

On January 31, the Committee filed its memorandum requesting that the hearing on February 3 be changed from an evidentiary hearing to a scheduling conference to provide additional time for the Committee to study the issues presented by the Joint Application. The Committee memorandum also suggests that the rate reduction proposed as part of the Joint Application be implemented on an interim basis separate from the Conservation Enabling Tariff/Demand-Side Management Pilot Program.

In addition, on January 31, 2006, the Utah Association of Energy Users (UAE) petitioned to intervene in the docket and filed a position statement on certain issues. Joint Applicants have no objection to UAE's intervention.

### **RESPONSE**

The Joint Applicants have no objection if the Commission converts the hearing from an evidentiary hearing to a scheduling hearing. The Joint Applicants request that as part of setting a schedule, the Commission establish a deadline for other interested parties to intervene. If the Commission denies the Committee's request, the Joint Applicants are prepared to proceed with the evidentiary hearing as currently scheduled as desired by the Commission. The Committee's memorandum serves as notice that the Committee desires to bifurcate the proposed rate decrease and the other components set forth in the Joint Application, but does not make the issue ripe for Commission decision. A motion or a petition, or an order from the Commission stating that it is seeking to explore the issue *sua sponte*, and providing a meaningful opportunity to respond, would be required before the issue is ripe for consideration and decision. Such motion would require the requisite evidentiary showing that an interim rate decrease is required. Likewise, UAE's position statement does not put the issue before the Commission at this time.

Joint Applicants oppose the Committee's suggestion that the proposed \$10.2 million rate reduction be implemented immediately on an interim basis. It is inappropriate for the Committee to suggest that the proposed rate reduction be implemented when the factors that make it possible are not implemented. The Committee's suggestion to implement the proposed rate reduction but not the Conservation Enabling Tariff/Demand-Side Management Pilot Program and other aspects of the Joint Application is inappropriate, and should not be accepted.<sup>2</sup>

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<sup>2</sup> To the extent UAE's position statement is interpreted to make the rate reduction on a piecemeal basis, Joint Applicants likewise oppose its position.

Although Joint Applicants regret that the customer savings associated with implementation of the Conservation Enabling Tariff/Demand-Side-Management Pilot Program and the proposed rate reduction will be delayed, we stand ready to proceed as appropriate. The amount of the proposed rate reduction was based upon implementation of the Conservation Enabling Tariff/Demand-Side Management Pilot Program on January 1, 2006. However, the magnitude of the rate reduction may be decreased because distribution non-gas costs will be affected by further declines in customer usage after January 1, 2006. Additionally, an opportunity will be lost to improve energy efficient new home construction and other conservation programs.

### **CONCLUSION**

Although Joint Applicants regret the need to delay significant customer savings from the Conservation Enabling Tariff/Demand-Side Management Pilot Program and the proposed rate reduction, the Joint Applicants will not object to conversion of the hearing on February 3, 2006, from an evidentiary hearing on the Joint Application to a scheduling hearing. However, Joint Applicants object to the suggestion of the Committee, and UAE's comment concerning the rate reduction proposed as part of the Joint Application be carved out from the remainder of the Joint Application and implemented on an interim basis.

RESPECTFULLY SUBMITTED: February 2, 2006.

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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **RESPONSE OF JOINT APPLICANTS TO MEMORANDUM OF COMMITTEE AND OF UAE PETITION TO INTERVENE** was served on the following by electronic mail on February 2, 2006:

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/s/ Vanessa Lucas \_\_\_\_\_