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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

	)	
TARIFF NAME:	)	Docket No. 06-057-T04
Application to Remove	)	
GSS and EAC and	)	TRANSCRIPT OF
Implement CET Rates	)	PROCEEDINGS
from Questar Gas	)	
Company's Tariff	)	
	)	

February 8, 2007 \* 9:00 a.m.

Location: Public Service Commission  
160 East 300 South, Hearing Room  
Salt Lake City, Utah

Richard M. Campbell, Commissioner  
Ted Boyer, Commissioner  
Ron Allen, Commissioner

## 1                                   A P P E A R A N C E S

2       FOR QUESTAR GAS COMPANY:

3                                   Colleen Larkin Bell, Esq.  
4                                   Questar Gas Company  
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8

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18       FOR COMMITTEE OF CONSUMER SERVICES:

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26       FOR SALT LAKE COMMUNITY ACTION PROGRAM:

27

28                                   Elizabeth A. Wolf  
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34       FOR ROGER BALL:

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36                                   Roger J. Ball  
37                                   1375 Vintry Lane  
38                                   Salt Lake City, Utah 84121

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1       PRESENT VIA TELEPHONE:  
 2               Clare Geddes  
               Robert Adams  
 3               Michael McCandless  
               Dr. Ray Terry  
 4               Barry Huntington  
               Mike Petersen  
 5               Lee Bracken  
               Art Cooper

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## E X H I B I T S

EXHIBIT NUMBER	OFFERED	ADMITTED
DPU Exhibit 1.0, 1.1, 1.2	14	16
DPU Exhibit S1.0, S1.1R	15	16
CCS Exhibit 1, 1.1 and 1.2	18	21
CCS Exhibit 1R.0, R1.2 and R1.3	19	21
QGC Exhibit R1.0, R.1.1, R1.2 and R1.3	21	21
Prefiled Testimony of Robert G. Adams	24	24
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1 P R O C E E D I N G S

2 COMMISSIONER CAMPBELL: Let's go on the  
3 record in Docket Number 06-057-T04, Application to  
4 Remove GSS and EAC Rates From Questar Gas Company's  
5 Tariff. Let's take appearances for the record,  
6 please.

7 MS. BELL: Colleen Bell on behalf of  
8 Questar Gas Company.

9 MR. GINSBERG: Michael Ginsberg and  
10 Patricia Schmid for the Division of Public Utilities.

11 MR. PROCTOR: Paul Proctor on behalf of  
12 the Utah Committee of Consumer Services.

13 MR. BALL: Roger Ball on my own behalf and  
14 perhaps in the interests of as many as 825,000 other  
15 GS-1 tariff customers.

16 COMMISSIONER CAMPBELL: Do you want to  
17 make a statement here on that or -- well, let's just  
18 leave it.

19 MS. WOLF: Betsy Wolf on behalf of Salt  
20 Lake Community Action Program.

21 COMMISSIONER CAMPBELL: All right. Thank  
22 you.

23 Who do we have on the phone?

24 MS. GEDDES: Clare Geddes representing  
25 myself.

26

1 COMMISSIONER CAMPBELL: Okay.

2 MR. PROCTOR: Mr. Chairman, Mr. Adams and  
3 Mr. McCandless are also present.

4 MR. ADAMS: Rob Adams representing Beaver  
5 County Economic Development Corporation.

6 COMMISSIONER CAMPBELL: All right.

7 MR. MCCANDLESS: Michael McCandless  
8 representing Emery County Economic Development.

9 MR. PETERSEN: Mike Petersen with Utah  
10 Rural Electric Association.

11 MR. HUNTINGTON: Barry Huntington,  
12 Garfield County/Panguitch City Attorney.

13 COMMISSIONER CAMPBELL: I'm sorry, what  
14 was your last name?

15 MR. HUNTINGTON: Huntington.

16 COMMISSIONER CAMPBELL: Huntington, thank  
17 you.

18 MR. BRACKEN: Lee Bracken --

19 MR. COOPER: Art Cooper from Panguitch.

20 COMMISSIONER CAMPBELL: Did I hear an Art  
21 Cooper from Panguitch?

22 MR. COOPER: Yes, correct, Art Cooper.

23 COMMISSIONER CAMPBELL: Okay. Those of  
24 you on the phone, we would ask you to mute your phone  
25 so that we don't get the background noise and it

26

1 makes it easier, I think, for everyone to hear.

2 MR. TERRY: This is Ray Terry from Beaver  
3 County School District.

4 COMMISSIONER CAMPBELL: Thank you, Mr.  
5 Terry.

6 MR. TERRY: Ray Terry.

7 COMMISSIONER CAMPBELL: I think we missed  
8 a couple of you that were on the phone, but insofar  
9 as you have testimony to put on the record we'll come  
10 back to you.

11 Ms. Bell, let's go to you.

12 MS. BELL: Chairman Campbell, the Parties,  
13 the Committee, the Division and the Company, have had  
14 time to discuss a Settlement Agreement in principle  
15 based on the filed testimony positions and the  
16 Rebuttal Testimony of the parties and based on  
17 ongoing discovery and analysis in this docket. This  
18 occurred in the last couple of days. We believe that  
19 it may be beneficial at this time, or subsequent to  
20 maybe hearing those that want to be heard today, to  
21 convene this hearing into a settlement conference so  
22 that we can take an opportunity to show others who  
23 have not seen that settlement proposal and let them  
24 comment on it and have input on it.

25 COMMISSIONER CAMPBELL: Is it your intent  
26

1 that the testimony that you've prefiled, that that  
2 still be part of this record?

3 MS. BELL: Yes, it is. On behalf of the  
4 Company, we only filed a Rebuttal Testimony in  
5 response to Position Statements or testimony filed by  
6 other intervenors in this docket.

7 COMMISSIONER CAMPBELL: All right. Mr.  
8 Ginsberg?

9 MR. GINSBERG: As to a process, the three  
10 parties who tentatively reached a settlement sent a  
11 letter to the Commission requesting that an  
12 additional hearing be established February 28th that  
13 would provide an opportunity to hear the settlement.  
14 And it was our proposal at the time that the  
15 Division, Committee and Company's presentation in  
16 support of the settlement, including all of the  
17 testimonies that have been filed thus far, be  
18 presented then. So we were interested in, at least  
19 at this stage of the proceeding, getting a clear  
20 understanding as to what the process is that we're  
21 going to use this morning.

22 It was also our recommendation in that  
23 letter that the public witness day continue February  
24 15th in Beaver. And I believe the Commission has  
25 issued an order setting the February 28th additional  
26



1 hearing date.

2 COMMISSIONER CAMPBELL: All right. I  
3 mean, the Commission has a number of questions  
4 related to the testimony that's been prefiled and I  
5 assume perhaps other parties do as well. I don't  
6 know if it would benefit --

7 MR. GINSBERG: We're prepared to present  
8 the prefiled testimony this morning also.

9 COMMISSIONER CAMPBELL: I think if we did  
10 that today and used the time we've already allocated,  
11 people are here, it might be wise to use the time we  
12 have to at least get some of those questions  
13 answered. Does anyone object to that, to answering  
14 questions related to your prefiled testimony?

15 MR. PROCTOR: The Committee does not.  
16 There would be the issue of cross-examination of the  
17 witnesses who do present testimony, that the  
18 Committee would ask to reserve that cross-examination  
19 until the February 28th hearing since a resolution  
20 may, of course, make that cross-examination, if any,  
21 of quite different character. But the Committee  
22 actually would prefer to spread the testimony on the  
23 record at this time, use today as possible, and then  
24 allow us to discuss and describe the resolution with  
25 the other parties.

26

1                   COMMISSIONER CAMPBELL: All right. Let's  
2 do that.

3                   MR. BALL: Can I get some clarification,  
4 please, on what Mr. Proctor said about  
5 cross-examination? How does the Commission  
6 understand that, please?

7                   COMMISSIONER CAMPBELL: The way I  
8 understand that is -- we're having a problem with  
9 someone's phone. Is there a way for them to hear us,  
10 but can we turn down the volume of what we're  
11 listening to? There's got to be a way to do that.  
12 Let's go off the record a minute.

13                   (Discussion held off the record.)

14                   COMMISSIONER CAMPBELL: Let's go back on  
15 the record.

16                   I understand what the Committee said is  
17 that they are reserving the right to  
18 cross-examination based on the need that they'll have  
19 to cross-examine if there's a stipulation. So if the  
20 stipulation and the discussions fall apart then they  
21 reserve the right to cross-examine all the testimony  
22 on the record. And so that's why they're reserving  
23 their right.

24                   MR. BALL: Okay. So where would that  
25 leave me, for example, with regard to any

26

1 cross-examination I might have on people's Direct,  
2 Supplemental and Rebuttal Testimony? Do I have to do  
3 that today? Can I choose whether I do it today or on  
4 the 28th, please?

5 COMMISSIONER CAMPBELL: I was anticipating  
6 you do that today, but if we grant the Committee's  
7 right to reserve that, we would grant you the same  
8 privilege.

9 MR. BALL: Thank you.

10 May I also raise the issue of public  
11 Witness testimony? Members of the public who may be  
12 planning to come today, and I have no idea who or how  
13 many, if any there may be, are presumably planning to  
14 do so on the basis of what's been out in public,  
15 which is that there was at least the expectation of  
16 some contesting of the application today. They may  
17 be faced with a very, very different situation if the  
18 Settlement Agreement is finalized between Questar,  
19 the Division, the Committee and perhaps others.

20 I wonder whether the Commission would  
21 consider scheduling a further public witness hearing  
22 also for the 28th so that members of the public could  
23 give their views on that possibly significantly  
24 changed situation, please.

25 COMMISSIONER CAMPBELL: Already done.

26

1                   MR. BALL: Oh, it's in there? I'm sorry,  
2 I missed that. Thank you.

3                   COMMISSIONER CAMPBELL: All right.

4                   MR. GINSBERG: Just to make it clear if  
5 it's not, at least with respect to the three parties,  
6 the Division would also reserve any cross-examination  
7 that may need to take place if the settlement  
8 actually doesn't occur.

9                   COMMISSIONER CAMPBELL: Okay.

10                  MS. BELL: As would the Company.

11                  COMMISSIONER CAMPBELL: Let's get the  
12 testimony on the record and then everyone has their  
13 rights reserved to cross-examine that testimony if  
14 they need to on the 28th as well.

15                  MR. BALL: Forgive me, Chairman. I've  
16 just referred to your most recent order yesterday  
17 and --

18                  COMMISSIONER CAMPBELL: I know. It's  
19 supposed to be scheduled at 9:00 with the public  
20 witness testimony taken at 11:30. We're going to  
21 modify that.

22                  MR. BALL: Thank you very much.

23                  COMMISSIONER CAMPBELL: Let's start with  
24 those that have -- shall we start with you, Mr.  
25 Ginsberg?

26

1 MR. GINSBERG: That would be fine. Here's  
2 an exhibit.

3 COMMISSIONER CAMPBELL: Shall we have Mr.  
4 Barrow stand?

5 MR. GINSBERG: Yes. Did you want him up  
6 here?

7 COMMISSIONER CAMPBELL: No, that's all  
8 right. We can ask our questions from there.

9 Do you swear that the testimony you're  
10 about to give in this proceeding is the truth, the  
11 whole truth and nothing but the truth, so help you  
12 God?

13 MR. BARROW: I do.

14 COMMISSIONER CAMPBELL: Thank you. Mr.  
15 Ginsberg.

16 MARLIN BARROW,  
17 called as a witness, being first duly sworn, was  
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. GINSBERG:

21 Q. State your name for the record.

22 A. Yes. My name is Marlin Barrow.

23 Q. And can you describe your position with  
24 the Division?

25 A. I am employed by the Utah Division of  
26

1 Public Utilities as a Utility Analyst.

2 Q. You chaired the Task Force that preceded  
3 the filing of this application?

4 A. Yes, I did.

5 Q. And that Task Force report has been filed  
6 as part of the application by the Company?

7 A. Yes, it was.

8 Q. You filed Direct Testimony in this  
9 proceeding which has been marked as DPU Exhibit 1.0,  
10 with Exhibit 1.1 and 1.2 attached?

11 A. Yes, I did.

12 Q. Do you have any corrections you wish to  
13 make to that testimony?

14 A. I do. On page 5 of my Direct Testimony on  
15 line 5 between the word "were" and "higher" there is  
16 an "a." That should be deleted.

17 Also, on line 22 of the same page there is  
18 a dash apparently after the word "off." That should  
19 be deleted and a comma inserted.

20 On page 6, line 1 there's another dash  
21 after the word "rate." That should just be deleted.

22 On page 13, line 12, there's a period  
23 after "Mountain." That should be removed.

24 And then on page 14 there are some numbers  
25 that need to be corrected. On line 16, instead of

26

1 "\$676 per year," that should be "\$632 per year." And  
2 the number in parentheses, that "256" should be  
3 replaced by "212." And on line 17, that "256" should  
4 be replaced by "212."

5 That's all the corrections I have on my  
6 Direct Testimony.

7 Q. You also filed Supplemental Testimony  
8 prior to the date rebuttal was due and that's been  
9 marked as DPU Exhibit S1.0 and one exhibit S1.1?

10 A. Yes, I did.

11 Q. Did you have any corrections to make to  
12 that?

13 A. I do. On my Supplemental Testimony on  
14 page 4, on line 14 between the word that says  
15 "revenue required from" there should be a "the"  
16 inserted before "majority."

17 And on line 19 after the question mark  
18 there's an erroneous period that should not be there.

19 And then on page 7, line 7, that "\$200,000  
20 to \$250,000" should be deleted and the correct number  
21 should be "\$195,000."

22 That's all the corrections I have.

23 Q. And if those questions were asked of you  
24 today, then that would be Direct and Supplemental  
25 Direct Testimony?

26

1           A.     Yes.

2           MR. GINSBERG:   With that, I would ask that  
3     those exhibits that have been marked be admitted into  
4     evidence.

5           COMMISSIONER CAMPBELL:   Are there any  
6     objections?

7           MR. PROCTOR:   No objections.

8           MS. BELL:   No objections.

9           COMMISSIONER CAMPBELL:   All right.  It's  
10    admitted.

11          MR. GINSBERG:   We did not have a prepared  
12    summary of his testimony.  So he's available for  
13    questions.

14          COMMISSIONER CAMPBELL:   Okay.  I think  
15    what we'll do is get all the testimony on and then  
16    ask the questions and the various witnesses can  
17    respond.

18          MR. GINSBERG:   Okay.

19          COMMISSIONER CAMPBELL:   Let's go to Mr.  
20    Proctor.

21          MR. PROCTOR:   Thank you, Mr. Chairman.  
22    The Committee would call Mr. Dan Gimble, please.

23          COMMISSIONER CAMPBELL:   Do you swear that  
24    the testimony you're about to give in this proceeding  
25    is the truth, the whole truth and nothing but the  
26



1 truth, so help you God?

2 MR. GIMBLE: Yes.

3 COMMISSIONER CAMPBELL: Thank you. Mr.  
4 Proctor?

5 DANIEL E. GIMBLE,  
6 called as a witness, being first duly sworn, was  
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. PROCTOR:

10 Q. Mr. Gimble, would you state your name and  
11 business address, please?

12 A. Sure. Daniel E. Gimble. I'm the Chief of  
13 Technical Staff of the Committee of Consumer  
14 Services. My business address is 160 East 300 South,  
15 Heber Wells Building, Salt Lake City, Utah.

16 Q. And you are appearing here today on behalf  
17 of the Committee of Consumer Services?

18 A. Yes, I am.

19 Q. Have you filed prefiled written testimony  
20 in connection with this matter?

21 A. I have. I have prefiled both Direct  
22 Testimony and Rebuttal Testimony in this case.

23 Q. And does that Direct Testimony consist of  
24 10 pages with two exhibits that has been marked as  
25 CCS-1 with Exhibit 1.1 and 1.2?

26

1 A. Yes.

2 Q. And have you also filed Rebuttal Testimony  
3 marked as CCS-1R consisting of 8 pages?

4 A. Yes, I have.

5 Q. Do you have any corrections or amendments  
6 to that testimony?

7 A. I have a couple of corrections to my  
8 Direct Testimony.

9 Q. Would you provide them, please?

10 A. Sure. On page 1 of my Direct Testimony,  
11 line 17, the phrase "revenue" -- or the words  
12 "revenue requirement" should be "rate."

13 COMMISSIONER CAMPBELL: I'm sorry, I don't  
14 understand. Where would you put the word "rate"?

15 MR. GIMBLE: I substituted the word "rate"  
16 for "revenue requirement."

17 COMMISSIONER CAMPBELL: "Annual rate  
18 impact"?

19 MR. GIMBLE: Yes. The next correction is  
20 on page 7 and again line 17. It's in the question.  
21 The word "tract" should be "track."

22 Q. (BY MR. PROCTOR) Does that conclude the  
23 corrections?

24 A. It does.

25 Q. Mr. Gimble, if these questions in your  
26

1 Direct and Rebuttal Testimony were to be asked to you  
2 today, would your answers remain the same as  
3 contained in the prefiled testimony?

4 A. They would.

5 MR. PROCTOR: Mr. Chairman, the Committee  
6 would offer into evidence the Direct Testimony with  
7 two exhibits and the Rebuttal Testimony of Mr.  
8 Gimble.

9 COMMISSIONER CAMPBELL: Are there any  
10 objections?

11 MR. GINSBERG: No.

12 MS. BELL: No objections.

13 COMMISSIONER CAMPBELL: All right. It's  
14 admitted.

15 Let's proceed to the Company's Rebuttal  
16 and then I'm going to come back to Mr. Proctor to  
17 assist some of the other parties and get their  
18 testimony on the record.

19 MS. BELL: The Company has available Mr.  
20 Gary Robinson.

21 COMMISSIONER CAMPBELL: Do you swear that  
22 the testimony you're about to give in this proceeding  
23 is the truth, the whole truth and nothing but the  
24 truth, so help you God?

25 MR. ROBINSON: I do.

26

1 COMMISSIONER CAMPBELL: Thank you.

2 MS. Bell?

3 GARY ROBINSON,

4 called as a witness, being first duly sworn, was

5 examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MS. BELL:

8 Q. Please state your name for the record.

9 A. Gary Robinson.

10 Q. By whom are you employed?

11 A. Questar Gas Company.

12 Q. What is your title at Questar Gas Company?

13 A. I'm the Supervisor of Regulatory Affairs.

14 Q. In that capacity, are you familiar with  
15 the application that was filed in this docket?

16 A. Yes.

17 Q. Did you prepare that application?

18 A. Yes.

19 Q. Did you file Direct Testimony in this  
20 matter?

21 A. No, I didn't.

22 Q. And why didn't you?

23 A. The reason we didn't file Direct Testimony  
24 in this case is that we were simply following the  
25 recommendations of the Task Force that the Commission

26

1 established in the CET docket and the recommendation  
2 from that Task Force was that we file a tariff  
3 change.

4 Q. Did you file Rebuttal Testimony in this  
5 docket?

6 A. Yes, I did.

7 Q. Does that Rebuttal Testimony consist of  
8 QGC Exhibit R1.0 and attached Exhibits R1.1, 1.2 and  
9 R1.3?

10 A. Yes.

11 Q. If you were asked these same questions  
12 that were asked in your Rebuttal Testimony today, Mr.  
13 Robinson, would your answers be the same?

14 A. Yes, they would.

15 MS. BELL: I would like to offer QGC  
16 Exhibit R1.0, Gary Robinson's Rebuttal Testimony and  
17 accompanying exhibits. I've got copies.

18 COMMISSIONER CAMPBELL: Are there any  
19 objections?

20 MR. PROCTOR: No objection.

21 COMMISSIONER CAMPBELL: Hearing none, the  
22 testimony is admitted.

23 Let's invite Mr. Adams and Mr. McCandless  
24 forward. You can go ahead and sit.

25 MR. PROCTOR: Mr. Chairman, what I have  
26

1 done is prepared a single page that has the exhibits  
2 -- or is an Exhibit List of each of the Intervenors  
3 that filed either a Position Statement or testimony  
4 and appear on the Commission's docket website. There  
5 is a number of public statements, letters, that have  
6 been sent to you over the years, but they were not  
7 from intervening parties as far as I could tell.

8 COMMISSIONER CAMPBELL: Right. And we  
9 received those like we do public, unsworn public  
10 testimony. So they are on the docket as unsworn  
11 public testimony.

12 MR. PROCTOR: The parties on the phone  
13 would not have this, of course, and so why don't we  
14 begin with Mr. Adams and Mr. McCandless and then we  
15 can deal with the other parties, if that's okay.

16 COMMISSIONER CAMPBELL: That will work.  
17 Why don't we have you both stand together and I'll  
18 swear you together.

19 Do you swear that the testimony you're  
20 about to give in this proceeding is the truth, the  
21 whole truth and nothing but the truth, so help you  
22 God?

23 MR. ADAMS: Yes.

24 MR. MCCANDLESS: Yes.

25 COMMISSIONER CAMPBELL: All right. Thank  
26

1       you.

2                       Mr. Proctor.

3                       MR. PROCTOR: Thank you.

4                               ROBERT G. ADAMS,

5       called as a witness, being first duly sworn, was

6                       examined and testified as follows:

7                               DIRECT EXAMINATION

8       BY MR. PROCTOR:

9               Q.       Mr. Adams, if we could begin with you. If  
10       you could state your name and business address and  
11       identify the party on whose behalf you're appearing.

12              A.       My name is Robert G. Adams. My place of  
13       business, 105 East Center, Beaver, Utah, County  
14       Office Building. I represent the Beaver County  
15       Economic Development Corporation, which is an  
16       interlocal -- it's formed with the three cities in  
17       our county, plus the county under that way.

18              Q.       Mr. Adams, did you prepare prefiled  
19       testimony filed with the Commission on January 15th  
20       of this year consisting of 11 pages?

21              A.       Yes, sir, I did.

22              Q.       Do you have any corrections or amendments  
23       that you wish to make to that testimony?

24              A.       No, sir, I do not.

25              Q.       If those questions in that testimony were  
26

1 to be asked of you today, would your testimony be the  
2 same?

3 A. Yes.

4 MR. PROCTOR: We would offer into evidence  
5 the prefiled testimony of Robert G. Adams.

6 COMMISSIONER CAMPBELL: Any objections?

7 MS. BELL: No.

8 COMMISSIONER CAMPBELL: All right, it's  
9 admitted.

10 MR. PROCTOR: My understanding, Mr.  
11 Chairman, is that each of these witnesses would have  
12 an opportunity to summarize now or later?

13 COMMISSIONER CAMPBELL: Yes. Let's get  
14 all the testimony on and then we'll go back and allow  
15 those that want to to summarize their testimony.

16 MR. PROCTOR: Thank you.

17 MICHAEL B. MCCANDLESS,  
18 called as a witness, being first duly sworn, was  
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. PROCTOR:

22 Q. Mr. McCandless, you've been previously  
23 sworn. Would you state your name and business  
24 address and identify on whose behalf you're  
25 appearing.

26



1           A.     My name is Michael B. McCandless. I am  
2     the Economic Development Director for Emery County.  
3     We're located at 75 East Main, Castle Dale, Utah.

4           Q.     And on January 10, Mr. McCandless, did you  
5     file written prefiled testimony with this Commission  
6     consisting of 13 pages?

7           A.     Yes, I did.

8           Q.     Do you have any corrections or amendments  
9     that you wish to make to that testimony?

10          A.     I have one minor clarification on page 11  
11     of my testimony. Lines 231, 232, 233 have emphasis  
12     underlining. I want to clarify that those are  
13     emphasis added. Those are actually references to  
14     State code and emphasis was added to those.

15          Q.     And is that all the corrections, sir?

16          A.     That is all.

17          Q.     If the questions in your Direct Testimony  
18     were to be asked of you today, would your answers  
19     remain the same?

20          A.     Yes, they would.

21                 MR. PROCTOR: We would offer into evidence  
22     the Direct Testimony of Michael McCandless.

23                 COMMISSIONER CAMPBELL: Any objections?

24                 MS. BELL: No.

25                 COMMISSIONER CAMPBELL: All right. It's

26

1 admitted.

2 MR. PROCTOR: Mr. Chairman, perhaps we  
3 could identify one person on the phone and find out,  
4 take them next

5 COMMISSIONER CAMPBELL: Let's do that.  
6 Which one do you have next?

7 MR. PROCTOR: Well, Garfield County. They  
8 filed a Position Statement, one page.

9 COMMISSIONER CAMPBELL: Is someone from  
10 Garfield County on the phone?

11 MR. HUNTINGTON: This is Barry Huntington,  
12 the Garfield County Attorney.

13 COMMISSIONER CAMPBELL: We turned down the  
14 volume because we were getting some feedback.

15 MR. PROCTOR: Mr. Huntington, who filed  
16 the testimony on behalf of Garfield County for the  
17 position --

18 MR. HUNTINGTON: I believe what we have is  
19 a Position Statement. Clare Ramsay of the Garfield  
20 County Commissioners signed that Position Statement.

21 MR. PROCTOR: Mr. Chairman, it's a bit  
22 unusual since the witness who prepared it is not  
23 there, although I suppose that Mr. Huntington could  
24 ask that it be admitted on behalf of his client and  
25 lay appropriate foundation for the testimony. I

26

1 certainly have no objection that the witness isn't  
2 here.

3 MR. GINSBERG: Nor does the Division.

4 COMMISSIONER CAMPBELL: Do you feel like  
5 these Position Statements need to be sworn testimony  
6 on the record?

7 MR. PROCTOR: Well, they are not. And I  
8 don't believe that it was -- it was not contemplated  
9 that it be sworn Position Statements because that  
10 would be testimony. The Scheduling Order speaks in  
11 terms of filing a Position Statement and that the  
12 witness would be subject to cross-examination if a  
13 party desired on the Position Statement.

14 Since cross-examination is being reserved,  
15 and I think that on behalf of the Committee I would  
16 be authorized to actually waive it with respect to  
17 Position Statements if you wish, it may not be  
18 necessary to put them on the record.

19 COMMISSIONER CAMPBELL: Is there any party  
20 to this proceeding that intends to cross-examine  
21 Position Statements?

22 MS. BELL: No.

23 MR. BALL: Provided they aren't admitted  
24 to the record as anything other than public witness  
25 testimony, no.

26

1                   COMMISSIONER CAMPBELL: Why don't we  
2 handle the Position Statements as such. We'll just  
3 consider them unsworn public witness statements and  
4 we will give them their appropriate weighting.

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

6                   The next one is from Cedar Fort, also a  
7 Position Statement. It was, however, filed by Mr.  
8 Dunbeck, Counsel for Cedar Fort. I don't know if Mr.  
9 Dunbeck is on the phone or not.

10                  COMMISSIONER CAMPBELL: Mr. Dunbeck, are  
11 you on the phone?

12                  MR. PROCTOR: Apparently not.

13                  COMMISSIONER CAMPBELL: Apparently not.

14                  MR. PROCTOR: If we could proceed to Dr.  
15 Ray Terry who filed testimony on behalf of the Beaver  
16 County School District. Mr. Terry?

17                  COMMISSIONER CAMPBELL: Mr. Terry, are you  
18 on the phone? Dr. Terry, are you on the phone?

19                  MR. PROCTOR: Is that working?

20                  COMMISSIONER CAMPBELL: I believe he  
21 identified himself earlier.

22                  MS. MURRAY: It's still green. Could  
23 someone on the phone speak?

24                  MR. HUNTINGTON: This is Barry Huntington  
25 again.

26

1 MR. PETERSEN: This is Mike Petersen  
2 again.

3 COMMISSIONER CAMPBELL: So Dr. Terry must  
4 have hung up.

5 MR. ADAMS: Hang on.

6 COMMISSIONER CAMPBELL: Let's go to the  
7 next one.

8 MR. PROCTOR: Is Mr. Davidson, on the  
9 phone, please, for Beaver Valley Hospital? That was  
10 testimony as well.

11 COMMISSIONER CAMPBELL: Mr. Davidson are  
12 you on the phone? No, he's not on the phone either.

13 MR. PROCTOR: There was a Position  
14 Statement filed on behalf of Beaver County, the City  
15 of Milford, and the City of Enterprise, and finally,  
16 the Economic Development Corporation of Utah. Is  
17 there anyone present on behalf of those parties?

18 MR. BRACKEN: This is Lee Bracken with the  
19 City of Enterprise.

20 COMMISSIONER CAMPBELL: Mr. Lee Bracken  
21 from the City of Enterprise is on the phone.

22 MR. PROCTOR: Mr. Bracken, my  
23 understanding is you filed a Position Statement. Do  
24 you understand the manner in which the Commission  
25 will be receiving that Position Statement?

26

1 MR. BRACKEN: Yes, I do.

2 MR. PROCTOR: And is that acceptable to  
3 you or would you rather provide this under oath?

4 MR. BRACKEN: That is acceptable to me,  
5 yes.

6 MR. PROCTOR: Thank you, Mayor Bracken.

7 COMMISSIONER CAMPBELL: Did Dr. Terry get  
8 back on the phone? Who just joined us?

9 MR. PROCTOR: There's one more while we're  
10 waiting. Mr. Delynn Fielding filed testimony on  
11 behalf of Carbon County. Mr. McCandless, do you know  
12 if Mr. Fielding is on the phone?

13 MR. MCCANDLESS: I'm not aware yet.

14 MR. PROCTOR: I believe Mr. Fielding had  
15 intended to appear today.

16 MR. MCCANDLESS: He's ill.

17 MR. PROCTOR: I believe he became ill  
18 yesterday or last night and so is unable to make it.  
19 Would it be acceptable to the Commission and the  
20 parties that we would reserve his Direct Testimony  
21 for the 28th?

22 COMMISSIONER CAMPBELL: We can do that.

23 MR. PROCTOR: All right. That would leave  
24 us with Dr. Ray Terry if he's available.

25 COMMISSIONER CAMPBELL: And if Dr. Terry  
26

1 and Mr. Davidson are not available today --

2 MR. DAVIDSON: I am available.

3 COMMISSIONER CAMPBELL: Oh, you are? I'm  
4 saying, we'll be down at Beaver, Utah next week and  
5 we can put that on the record at that point. Is it  
6 Dr. Terry?

7 MR. TERRY: Yes.

8 COMMISSIONER CAMPBELL: Mr. Proctor.

9 MR. PROCTOR: I believe Dr. Terry needs to  
10 be sworn.

11 COMMISSIONER CAMPBELL: That's right. Dr.  
12 Terry, would you please raise your right arm to the  
13 square?

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

18 DR. TERRY: I do.

19 COMMISSIONER CAMPBELL: Thank you. Mr.  
20 Proctor.

21 RAY TERRY,

22 called as a witness, being first duly sworn, was

23 examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. PROCTOR:

26

1 Q. Dr. Terry, would you please state your  
2 name, business address, and identify the party on  
3 whose behalf you're appearing today.

4 A. Ray Terry, Superintendent of Beaver County  
5 School District, 291 North Main Street, Beaver, Utah.

6 Q. Dr. Terry, on January the 13th of this  
7 year, did you file prefiled testimony consisting of  
8 four pages?

9 A. I did.

10 Q. And do you have any corrections or  
11 amendments that you wish to make to that testimony?

12 A. I do not. No, I stand by the testimony  
13 that I submitted.

14 Q. If the questions in that testimony were to  
15 be put to you today, would your answers remain the  
16 same?

17 A. Yes, they would.

18 MR. PROCTOR: We would offer into evidence  
19 the testimony of Dr. Ray Terry.

20 COMMISSIONER CAMPBELL: Are there any  
21 objections?

22 MS. BELL: No.

23 MR. BALL: Chairman, given that Dr. -- we  
24 had a little difficulty here getting Dr. Terry back  
25 into the loop on this, I do have a question for Dr.

26



1 Terry as a matter of cross-examination. So could we  
2 make sure that he understands that that's coming?

3 COMMISSIONER CAMPBELL: Yes. Dr. Terry,  
4 are you able to remain on the phone for the next half  
5 hour or so?

6 DR. TERRY: Yes. Let me close my office  
7 door. I'm sorry, I apologize. I got called away  
8 from the phone.

9 COMMISSIONER CAMPBELL: In fact, we'll  
10 probably just take that up right now.

11 MR. PROCTOR: Why don't we just do the  
12 exam right now.

13 COMMISSIONER CAMPBELL: Right. So the  
14 testimony is admitted and I'm going to turn to Mr.  
15 Ball who has a question for Dr. Terry.

16 CROSS-EXAMINATION

17 BY MR. BALL:

18 Q. Hello, Dr. Terry.

19 A. Hello.

20 Q. I notice from your --

21 COMMISSIONER CAMPBELL: I think you turned  
22 your microphone off, Mr. Ball.

23 MR. BALL: Thank you, Mr. Chairman. I'm  
24 sorry.

25 Q. (BY MR. BALL) I noticed from your  
26

1 testimony that you started employment with Beaver  
2 County School District on July the 1st, 2005. If I  
3 understand correctly, the Beaver area was given the  
4 opportunity to take natural gas service from Questar  
5 Gas Company subject to the GSS tariff over a 20-year  
6 period considerably before that date.

7 Are you able to tell us anything about  
8 what means of heating space and water the six schools  
9 listed in your testimony used prior to that?

10 A. Are you asking me -- and I apologize.  
11 With the telephone it's hard to understand. My  
12 understanding of your question is prior to July 1st  
13 of '05 when I took employment with Beaver County, can  
14 I testify as to the cost of our heating and natural  
15 gas cost? Is that the question?

16 Q. No, not quite. Thank you for giving me  
17 the opportunity to clarify.

18 Recognizing that you started employment  
19 with the school district in July 2005, recognizing  
20 that the opportunity in Beaver County for people to  
21 start using natural gas arose considerably before  
22 that, are you able to tell us now anything about the  
23 means of space and water heating used in the six  
24 Beaver School District schools you list in your;  
25 prefiled testimony prior to the availability of

26

1 natural gas in your county?

2 A. I am not in a position to say that because  
3 of my -- of not having the history nor the document  
4 or the information in front of me. I could probably  
5 gather the information as to the usage prior to the  
6 natural gas, but I don't have it in front of me at  
7 this time.

8 Q. I would certainly appreciate it if you  
9 could make that information available to me, please.

10 MR. PROCTOR: Well, excuse me, Mr.  
11 Chairman. This is Paul Proctor. Dr. Terry, if you  
12 would just hold on a moment. This is the hearing,  
13 this is not the time to conduct discovery. And if  
14 he's asking for supplemental testimony, that's one  
15 thing that we have to address. If it's just a  
16 curiosity, then I think that's not appropriate.

17 COMMISSIONER CAMPBELL: And I understand  
18 the question. The question was asked and apparently  
19 the witness does not have the answer right now.

20 Q. (BY MR. BALL) As a follow-up question,  
21 Dr. Terry, to your knowledge, has anyone in Beaver  
22 School District conducted any kind of a study or  
23 recorded any kind of information showing any benefits  
24 or otherwise to the Beaver County School District of  
25 the change in heating fuel?

26

1           A.     In, let's see, about 2000, 2002,  
2     approximately, the school district conducted a survey  
3     to -- as they converted from electricity to natural  
4     gas.  Again, I don't have that information, but I  
5     have a maintenance supervisor who was here at that  
6     time to help conduct that survey.

7                   MR. BALL:  Thank you very much.

8                   COMMISSIONER CAMPBELL:  Thank you, Dr.  
9     Terry.

10                   While we have Dr. Terry on the phone, are  
11     there any other questions for Dr. Terry?

12                   MR. PROCTOR:  No questions.

13                   COMMISSIONER CAMPBELL:  All right.  Thank  
14     you, Dr. Terry.

15                   DR. TERRY:  Now, may I ask a quick  
16     question if I may?  Is it all right, do you need me  
17     to stay on the line at this time?

18                   COMMISSIONER CAMPBELL:  We do not.  You do  
19     not have to stay on the line.

20                   MR. TERRY:  Okay.  Thank you.

21                   COMMISSIONER CAMPBELL:  Thank you.

22                   MR. PROCTOR:  Mr. Chairman, I believe Ms.  
23     Wolf's testimony needs to be spread on the record.

24                   COMMISSIONER CAMPBELL:  Ms. Wolf, would  
25     you stand?

26

1                   Do you swear that the testimony you're  
2                   about to give in this proceeding is the truth, the  
3                   whole truth and nothing but the truth, so help you  
4                   God?

5                   MS. WOLF: I do.

6                   COMMISSIONER CAMPBELL: Thank you. Mr.  
7                   Proctor.

8                                   ELIZABETH A. WOLF,  
9                   called as a witness, being first duly sworn, was  
10                                   examined and testified as follows:

11                                   DIRECT EXAMINATION

12                   BY MR. PROCTOR:

13                   Q.     Ms. Wolf, would you state your name,  
14                   business address and identify on whose behalf you're  
15                   appearing today?

16                   A.     I am Elizabeth Wolf. My business address  
17                   is 764 South 200 West in Salt Lake City, and I'm  
18                   appearing on behalf of Salt Lake Community Action  
19                   Program.

20                   Q.     Have you filed previous or earlier in this  
21                   case both Direct Testimony consisting of 10 pages and  
22                   Rebuttal Testimony consisting of four pages?

23                   A.     Yes, I did.

24                   Q.     Do you have any corrections or amendments  
25                   that you would make to that testimony?

26

1 A. No.

2 Q. If the questions in that testimony were  
3 put to you today, would your answers remain the same?

4 A. Yes.

5 MR. PROCTOR: We would offer into evidence  
6 the Direct Testimony of Elizabeth A. Wolf marked as  
7 SLCAP Exhibit 1.0 and the Rebuttal Testimony marked  
8 SLCAP 1.0R.

9 COMMISSIONER CAMPBELL: Are there any  
10 objections? Seeing no objections, it's admitted.

11 MS. WOLF: I don't know if I have enough  
12 copies. I wasn't intending to pass them today.

13 COMMISSIONER CAMPBELL: We have copies of  
14 your testimony.

15 All right. What I think I would like to  
16 do right now is go back through and allow those who  
17 have provided testimony, if they care to, to provide  
18 us a brief summary of that testimony, and then we  
19 will go to the questions that the parties might have  
20 of each other. And the Commission has a number of  
21 questions that we have that we would like to get  
22 answered on the record.

23 MR. BALL: On a procedural note, first,  
24 Mr. Chairman, if you would, earlier on just a few  
25 moments ago, you indicated that in the case of some  
26

1 of the folks from outlying areas that had filed  
2 testimony but who were either not physically present  
3 or not on the telephone bridge today, you might take  
4 their testimony at Beaver next Thursday. I have a  
5 concern about that.

6 The Commission, having issued an Order  
7 under the type of notice of bridge number in which it  
8 basically indicated that this was the hearing at  
9 which it intended to take testimony and have  
10 cross-examination, given that there's going to be a  
11 hearing on the 28th, might I suggest that that would  
12 be a more appropriate time to schedule the  
13 introduction of such testimony and conduct  
14 cross-examination rather than at the public witness  
15 hearing next Thursday in Beaver?

16 COMMISSIONER CAMPBELL: Your point is well  
17 taken.

18 MR. BALL: Thank you.

19 COMMISSIONER CAMPBELL: All right. Mr.  
20 Barrow, did you plan to provide a summary? You don't  
21 have to, but certainly if you want to summarize, take  
22 a minute or two, we would be willing to listen to  
23 that. We have read all the testimony so we know  
24 what's in there.

25 MR. BARROW: I basically have not prepared  
26

1 a summary of my testimony. I think my two  
2 testimonies kind of give you the idea of the  
3 Division's approach on this matter.

4 COMMISSIONER CAMPBELL: All right. Mr.  
5 Gimble, did you want to offer a summary?

6 MR. GIMBLE: I haven't prepared a summary.  
7 I'm prepared to answer questions related to the  
8 testimony that I filed. I think it's pretty  
9 straightforward in terms of what the Committee has  
10 recommended.

11 COMMISSIONER CAMPBELL: Okay. Mr.  
12 Robinson?

13 MR. ROBINSON: I don't have a summary  
14 prepared either, but I'm available to answer  
15 questions.

16 COMMISSIONER CAMPBELL: Mr. Adams?

17 MR. ADAMS: No summary prepared, just  
18 happy to be here.

19 COMMISSIONER CAMPBELL: All right. Mr.  
20 McCandless?

21 MR. MCCANDLESS: I have no prepared  
22 summary.

23 COMMISSIONER CAMPBELL: Ms. Wolf?

24 MS. WOLF: Nor do I.

25 COMMISSIONER CAMPBELL: All right. Well,  
26



1 let's go to questions then. And I suspect that Mr.  
2 Ball has a number of questions. I think we'll go to  
3 you.

4 MR. BALL: As always, you're very  
5 perceptive, Mr. Chairman. Thank you.

6 MR. BALL: Do you want me to take my  
7 questions with each of the witnesses or are we going  
8 to deal with one witness at a time? How do you want  
9 to play that?

10 COMMISSIONER CAMPBELL: I don't know how  
11 you've organized your questions. So go ahead. If  
12 you know which witness you want to ask a question to,  
13 do that. And then if you have a generic question for  
14 any of the witnesses to answer, go ahead and do that  
15 as well.

16 MR. BALL: Can I start, then, please, with  
17 Mr. Barrow. Good morning, Mr. Barrow.

18 MR. BARROW: Good morning.

19 MR. BALL: On page 3 of your Supplemental  
20 Testimony at lines 8 to 10 you agree that the  
21 10-year GSS rates were developed, quote, "in pursuit  
22 of business opportunities and then since QGC was  
23 competing with others companies to serve the  
24 St. George and Cedar City areas." I think that's the  
25 end of the quote.

26

1                   When Questar invested in infrastructure  
2                   for the 20-year and EAC communities, did it not have  
3                   an opportunity to earn the return of those  
4                   investments through depreciation and a return on them  
5                   as long as they remained in rate base?

6                   MR. BARROW: I think when they -- you  
7                   know, not being there myself, I think when they  
8                   decided to go the 20-year route, they realized that  
9                   at the time they were going to put this  
10                  infrastructure in place that it was going to be more  
11                  expensive than the GSS, the 10-year GSS rates and,  
12                  therefore, they required -- or requested of the  
13                  Commission that they be allowed to collect those  
14                  revenues over the 20-year time period.

15                  I am not privileged to the information  
16                  about, you know, their rate of return. It's our  
17                  understanding that all those costs were just rolled  
18                  into the overall rate base of Questar Gas Company and  
19                  they were not specifically broken out to be tracked  
20                  against the revenues from those GSS customers over  
21                  the 20-year period.

22                  MR. BALL: It would be my perception that  
23                  the purpose of having a 20-year GSS period would have  
24                  been to give Questar the opportunity to earn the  
25                  return of and a return on that investment and over

26

1 the longer period because the investment would be  
2 considerably larger on a customer-by-customer basis.  
3 Is that not your perception also?

4 MR. BARROW: Well, not entirely. As I  
5 understand it, these rates were put in with a finite  
6 time period in place realizing that the volumes that  
7 these rates are going to be -- or these revenues are  
8 going to be collected from will fluctuate with those  
9 volumes. And it seems like over a finite time period  
10 if you just cut the time off without really going  
11 back and seeing whether you have recovered those  
12 revenues or not, it seems like that probably wasn't  
13 their intent.

14 I think because they rolled everything  
15 into the rate base with all other customers and those  
16 rates were approved in rate cases as being fair and  
17 just, they were just going to go ahead and collect  
18 what revenues they could over that 20-year period and  
19 then the rates would just terminate and they would --  
20 those customers would revert to the GS-1 rate  
21 schedule without really going back and checking to  
22 see if they actually had earned a rate of return on  
23 those particular investments.

24 MR. BALL: Do you think they hoped to get  
25 a rate of return?

26

1                   MR. BARROW: Well, of course. I think the  
2 Company always hopes to get a rate of return on all  
3 of its investments.

4                   MR. BALL: Thank you.

5                   Questar put all of those investments into  
6 rate base, didn't they?

7                   MR. BARROW: It's my understanding that  
8 they did, yes, that the actual plant went into rate  
9 base.

10                  MR. BALL: And at the last Questar Gas  
11 general rate case in Docket 02-057-02 they formed  
12 part of the basis for determining the Company's  
13 revenue requirement, didn't they?

14                  MR. BARROW: Well, those assets were all  
15 prior to the overall rate base. They were performed  
16 as the revenue requirement for the entire GS-1 rate  
17 schedule.

18                  MR. BALL: Was that a yes?

19                  MR. BARROW: Yes. They were part of the  
20 GS-1 rate schedule. Those rates were in place.

21                  MR. BALL: Thank you.

22                  And that's the business Questar Gas is in,  
23 isn't it? It expands its rate base, its  
24 infrastructure to gain additional opportunities for  
25 return?

26

1                   MR. BARROW: Well, I think they expand  
2 their rate base and their infrastructure to serve  
3 customers who desire to get natural gas.

4                   MR. BALL: So you think that Questar's  
5 Board of Directors is only interested in Questar Gas  
6 serving customers, it's not interested in a return?

7                   MR. BARROW: Well, I'm not sure. I can't  
8 testify exactly what the Board looks at.

9                   MR. BALL: I asked what you thought.

10                  MS. BELL: I would object. Mr. Barrow  
11 can't testify to what the Board of Questar thinks.

12                  MR. BALL: I think that's what Mr. Barrow  
13 said. I'm asking what he thought, not what the Board  
14 thought,

15                  MS. BELL: I don't see the difference in  
16 that question.

17                  MR. BALL: Well, I do.

18                  COMMISSIONER CAMPBELL: Well, could you  
19 refer in Mr. Barrow's testimony to where you think  
20 the question is directed?

21                  MR. BALL: Yes. I'm still in the area of  
22 page 3 of his Supplemental Testimony. Let me just  
23 get there in a second.

24                  On page 3 of his testimony Mr. Barrow  
25 talks about, on lines 7 and 8, QGC's development of  
26

1 GSS and EAC rates being in pursuit of business  
2 opportunities. He then makes an apparent distinction  
3 between the 10-year GSS rates on the one hand saying  
4 that it's true with respect to those. He then says,  
5 "However," and starts talking about the -- at least  
6 my perception is that he's talking about the 20-year  
7 GSS rates and the EAC rates.

8 And the distinction that inherently  
9 appears to be being made there, but is not  
10 explicit -- I should say the distinction that  
11 implicitly appears to be made there is that these are  
12 different and they weren't made in pursuit of  
13 business opportunities. And I'm trying to examine  
14 what Mr. Barrow's thinking behind that distinction  
15 is.

16 MR. BARROW: The difference between the  
17 10-year and 20-year rates, the 20-year rates are the  
18 rates in question in this docket, is the 20-year  
19 rates, these communities requested gas service of  
20 Questar Gas and they were in the area. I think in  
21 particular with Cleveland and Emery, when those rates  
22 were analyzed by Questar Gas they realized they were  
23 going to be probably -- or not economically able to  
24 put those rates in place, but they were required to  
25 do so because these customers requested that gas

26

1 service. Questar Gas was not going out and seeking  
2 opportunities in these 20-year rates to serve these  
3 communities. These communities approached Questar  
4 Gas with the desire to have the rates -- or the  
5 service.

6 MR. BALL: Do you happen to know, Mr.  
7 Barrow, how far Cleveland on the one hand and Elmo on  
8 the other hand were from existing Questar Gas Company  
9 infrastructure at that point in time?

10 MR. BARROW: I do not.

11 MR. BALL: So what did you mean when you  
12 said "in the area"? You said that just a moment ago.

13 MR. BARROW: Well, they desired, those two  
14 communities did not have gas service so they asked  
15 Questar Gas to bring gas to them.

16 MR. BALL: And you said a moment ago that  
17 Questar was in the area. What did you mean by that?

18 MR. BARROW: I believe they were serving  
19 in Price.

20 MR. BALL: And how far is Price from  
21 Cleveland or from Elmo?

22 MR. BARROW: I do not know.

23 MR. BALL: Have a rough guess, would you?

24 COMMISSIONER CAMPBELL: He said he doesn't  
25 know.

26

1                   MR. GINSBERG: I would object. He said he  
2 didn't know.

3                   MR. BALL: Okay. When a public utility  
4 such as Questar undertakes the extension of its  
5 infrastructure, isn't its underlying business  
6 purpose, its financial purpose, to gain additional  
7 opportunities for return? And as a separate question  
8 but on the same point, how else does a public utility  
9 like Questar make money?

10                  MR. GINSBERG: Let's have one question at  
11 a time.

12                  MR. BALL: Okay. You can answer them one  
13 at a time.

14                  MS. BELL: I would object. I'm not sure  
15 where this line of questions is going. These rates  
16 were set in prior Commission proceedings and were  
17 determined at the time based on the information that  
18 everyone knew to be just and reasonable. I don't  
19 know where this line of questions is going.

20                  COMMISSIONER CAMPBELL: I'm going to allow  
21 it. I understand he's questioned Mr. Barrow about  
22 business opportunity. I'm going to allow it for a  
23 while. Go ahead.

24                  MR. BARROW: Well, certainly when a  
25 company, any utility goes out, they hope to earn a

26



1 return on those investments. I think the difference  
2 in this case is with the GSS rates, as I mentioned  
3 before, there was a definite time period put on these  
4 rates without really regard to whether the Company  
5 was actually going to earn their investment or their  
6 rate of return on that investment.

7 MR. BALL: In setting the Company's rate  
8 of return, isn't the riskiness of those investments  
9 one of the issues that the Commission considers?

10 MR. GINSBERG: If you know.

11 MR. BARROW: Well, I don't know about --  
12 you know, I'm sure they take the type of risk, but I  
13 think in the GSS situation you have to understand  
14 that these investments in this plant was all in the  
15 GS-1 class. It was not broken out to distinguish  
16 between the GSS and the GS-1, it was all one pool and  
17 that overall risk was taken into consideration as a  
18 GS-1 class instead of the GSS class.

19 MR. BALL: The Commission doesn't really  
20 consider rate of return or risk associated with it in  
21 dealing either with rate spread or rate design, does  
22 it? It deals with that in dealing with revenue  
23 requirement, does it not?

24 MR. BARROW: From my understanding that's  
25 the case. I really haven't been involved in that

26

1 process. But yes, that's my understanding.

2 MR. BALL: So what I think I'm hearing is  
3 that you would agree with me that the Commission does  
4 consider the riskiness of those investments in  
5 setting the Company's rate of return, are you not?

6 MR. GINSBERG: I don't think I heard that  
7 kind of agreement, but --

8 MR. BALL: Do you agree or not, Mr.  
9 Barrow?

10 MR. BARROW: Well, I'm not sure what the  
11 Commission actually bases it on, but I think they  
12 would consider those -- you know, the risk.

13 MR. BALL: Thank you very much.

14 Turning to page 6 of your Supplemental  
15 Testimony at lines 20 through 23, you say that "The  
16 \$1.7 million of revenue in question in this  
17 application has already been included in the revenue  
18 used to calculate the annual allowed revenue per  
19 customer limit of \$255.53 placed on QGC in the CET  
20 Order from the Commission."

21 So are you saying that the GS-1 class of  
22 customers is already, as a result of the CET Order,  
23 paying all of the costs of the outstanding -- or is  
24 already compensating Questar Gas Company for the loss  
25 of GSS and EAC revenue that would take place if this

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1 application were granted by the Commission?

2 MR. BARROW: No, I am not saying that.

3 MR. BALL: Help me understand what you are  
4 saying about it, then.

5 MR. BARROW: What I am saying about that  
6 is when the CET tariff revenues were calculated, they  
7 included all of the revenues to the GS-1 class, which  
8 includes the GSS and EAC subcomponents. All of those  
9 revenues were included in refining or establishing  
10 this limit of \$255.53.

11 MR. BALL: Given the Commission's Order in  
12 the CET docket, what is a GS-1 customer currently  
13 paying other than \$255.53?

14 MR. BARROW: I don't -- I mean, I don't  
15 know specifically what they're paying exactly. You  
16 know, I would have to look at the overall revenue. I  
17 don't know what they're actually paying.

18 MR. BALL: I'm just trying to understand  
19 here, I hope you understand that. I'm just confused  
20 by all of this. What I thought I read here was that  
21 you were saying that as a result of the CET Order all  
22 GS-1 customers are already paying an average  
23 distribution non-gas component as if the GSS and EAC  
24 rates were gone. You've just told me that's not the  
25 case. You've told us in this testimony that in the  
26

1       CET Order there is a per customer limit of \$255.53.

2                   Now, maybe this is a question that will  
3 help clarify it. Are you actually saying that no  
4 individual customer may be charged more than \$255.53,  
5 or are you saying that take \$255.53, multiply it by  
6 the estimated average number of customers over the  
7 projected test year, and you've got hundreds of  
8 thousands or millions of dollars total number that  
9 can't be exceeded?

10                   MR. BARROW: Well, it's not -- on your  
11 last part it's not estimated number of customers,  
12 it's actual number of customers multiplied by the  
13 \$255.53. That is the total amount of revenue that  
14 Questar Gas is allowed to collect in a time span.  
15 Anything they collect over or under that calculation  
16 they either have under or overcollected and are  
17 either going to refund back or collect more from  
18 depending on which way it goes.

19                   I think you need to understand that in the  
20 GS-1 class, the GSS customers and EAC customers are  
21 subcomponents of that overall GS-1 class. And the  
22 GS-1 class, the overall revenue requirement of the  
23 GS-1 class, which included those subcomponents, was  
24 used to set the \$255.53 limit. Those customers are  
25 included in that \$255.53 limit.

26

1                   MR. BALL: But that figure is purely a  
2 notional figure; is that right? It's not written  
3 down anywhere?

4                   MR. BARROW: Yes, it's in their tariff.

5                   MR. BALL: Where in the tariff? Can you  
6 refer me to that?

7                   COMMISSIONER CAMPBELL: Mr. Ball, maybe I  
8 can shorten this. I think I understand what you're  
9 trying to get at, and it really is, how does this  
10 suggestion to deal with this relate to the CET.

11                   And my understanding is, and correct me if  
12 I'm wrong, is that were these GSS tariffs to be  
13 eliminated, then that \$1.7 million would end up as a  
14 shortfall within the CET program and it would be  
15 through that mechanism that that would be recovered?  
16 Is that what you're suggesting here?

17                   MR. BARROW: That's correct.

18                   MR. GIMBLE: Can I address something?

19                   COMMISSIONER CAMPBELL: Go ahead.

20                   MR. GIMBLE: Related to what you just  
21 said? I think the way to look at this is you have an  
22 aggregate figure of 255 whatever, around 256. If you  
23 eliminate the GSS and EAC rates, then that \$256 would  
24 be decreased by probably about \$1.50, something like  
25 that, because those GSS and EAC customers are

26

1 contributing on a relative basis because of the  
2 surcharges more than the typical GS-1 customer.

3 COMMISSIONER CAMPBELL: Maybe we weren't  
4 helpful to you, Mr. Ball, but --

5 MR. BALL: Oh, everything you say and  
6 everything you do, Mr. Chairman, is always helpful to  
7 me.

8 Let's -- okay. Where I'm having trouble,  
9 Mr. Barrow, is that on page -- going back now to your  
10 Direct Testimony, page 12, line 1, you say that the  
11 effect of rolling in the GSS and EAC to GS-1 is that  
12 the latter will increase. In other words, rates for  
13 GS-1 customers will increase if GSS and EAC is rolled  
14 into their class.

15 So I'm having difficulty when you say on  
16 the one hand in your Supplemental Testimony, don't  
17 worry about it because there's this \$255.53 limit  
18 that's been established in the CET case, and yet on  
19 the other hand, not only do you testify that the  
20 rolling in will increase GS-1 rates, but it appears  
21 to me to stand to reason, if Questar is correct in  
22 its testimony, that it doesn't really mind one way or  
23 the other because, goodness me, it's going to earn  
24 the same revenue either way. If Johnny doesn't pay,  
25 Willy must.

26

1                   MR. PROCTOR: Mr. Chairman, the Committee  
2 would object to that question on the basis that it's  
3 an argumentative narrative. It does not, in fact,  
4 pose a question to the witness.

5                   MR. BALL: Well, the question is, help me  
6 reconcile these two apparently irreconcilable  
7 arguments that you've made in your testimony, Mr.  
8 Barrow.

9                   MR. BARROW: My Direct Testimony did not,  
10 unfortunately, address the CET tariff. When that  
11 testimony was filed we were focusing directly on the  
12 application as it applied in the application, and the  
13 original application showed an increase in the GS-1  
14 DNG rates with the rolling in of the GSS/EAC  
15 schedules. The Supplemental Testimony was filed  
16 after my Direct Testimony to show that there was a  
17 better alternative using the CET tariff mechanism  
18 than the one presented in the Direct Testimony.  
19 That's why I filed the Supplemental Testimony, to  
20 show that the CET tariff would allow the elimination  
21 of the GSS/EAC tariff and the CET tariff would take  
22 care of that revenue shortfall in and of itself.

23                   COMMISSIONER CAMPBELL: Well, let's be  
24 specific about this. All things remaining constant,  
25 you remove this GSS and EAC under the CET mechanism,  
26

1 you're still going to -- other customers are still  
2 going to pick up the \$1.7 million?

3 MR. BARROW: Yes. To the extent --

4 COMMISSIONER CAMPBELL: To the extent  
5 everything else doesn't change?

6 MR. BARROW: To the extent everything  
7 else, it will all be included in the CET true-up  
8 mechanism, yes.

9 COMMISSIONER CAMPBELL: So there is not a  
10 disconnect in the sense that really your CET proposal  
11 has the opportunity to net it out and I would say  
12 disguise -- disguise would be a pejorative word --  
13 but you wouldn't -- customers are still paying the  
14 \$1.7 million?

15 MR. BARROW: Well, when you say  
16 "customers," you mean everybody, all customers?

17 COMMISSIONER CAMPBELL: Well, the GSS  
18 customers. I mean, absent this change, whatever  
19 netted out under the CET would be whatever it is  
20 absent the 1.7?

21 MR. BARROW: That's correct, yes.

22 MR. BALL: According to Mr. Robinson's  
23 testimony, 8,600, approximately, GSS and EAC  
24 customers would see a significant reduction in their  
25 annual bills. Approximately 825,000 GS-1 customers,

26



1 non-GSS and EAC customers would see an increase in  
2 their annual bills. Do you agree with that  
3 statement?

4 MR. BARROW: With everything else being  
5 held constant, through the CET tariff mechanism, you  
6 know, it's hard to say what the GS-1 customer would  
7 see. I don't know where that balance is.

8 MR. BALL: Well, we're really only talking  
9 about this one application here. I'm talking about  
10 in the context of this application. So, yes, hold  
11 everything else equal.

12 MR. BARROW: In the context of just the  
13 application, yes, there would have been an increase  
14 in the DNG rates of the GS-1 customers.

15 MR. BALL: Thank you.

16 I would like to ask some questions of Mr.  
17 Robinson now, if I may. Thank you, Mr. Barrow.

18 COMMISSIONER CAMPBELL: Go ahead.

19 MR. BALL: Mr. Robinson, GSS, the GSS  
20 rate, if I can characterize it as that, has  
21 frequently been described in this docket as double  
22 the DNG component of the GS-1 rate. On page 4, line  
23 34 of your testimony, you describe it as about  
24 double. Could you explain that, please?

25 MR. ROBINSON: Well, since the GSS rates  
26

1 were initially put in place, when they were  
2 originally designed they were designed as double the  
3 GS-1 DNG rate. Since that time there have been  
4 several general rate cases and other adjustments to  
5 the DNG rates which have been applied to all rate  
6 classes on an overall percentage increase. And so  
7 the GSS rates are about double the GS-1 rate, but are  
8 not exactly double the GS-1 rate today.

9 MR. BALL: How are they different from  
10 double, please?

11 MR. ROBINSON: I don't know. I haven't  
12 looked exactly whether they're more than double or  
13 less than double.

14 MR. BALL: Broadly speaking, would you  
15 agree with me that in the summer they're something  
16 less than double and in the winter they are close to  
17 double but not exactly?

18 MR. ROBINSON: I would expect that to be  
19 the case.

20 MR. BALL: Could you explain the  
21 difference, the seasonal difference in broad terms,  
22 please?

23 MR. ROBINSON: Well, the reason that  
24 occurred is just things that happened over the years  
25 as percentage increases were applied to those rates.

26

1                   MR. BALL: What drives the significant  
2 difference between summer and winter in that regard?  
3 Is there a major factor that you can put a finger on?

4                   MR. ROBINSON: No.

5                   MR. BALL: Okay. Thank you.

6                   On page 5, lines 82 to 83 of your Rebuttal  
7 Testimony you say, quote, "The Company invests  
8 millions of dollars per year in feeder lines and  
9 other plant along the Wasatch Front."

10                   Could you describe to us what a feeder  
11 line is, please, as opposed to any other kind of  
12 piece of infrastructure?

13                   MR. ROBINSON: Yes. A feeder line is a  
14 high-pressure line that is used to provide service to  
15 general areas. For example, there may be a major  
16 feeder line that would go down through one side of  
17 the valley or the other, and off those feeder lines  
18 come the lower pressure mains that then go down the  
19 streets.

20                   MR. BALL: So the feeder line would go  
21 into an area and there would then be mains off the  
22 feeder line into particular residential and business  
23 developments; is that what I'm understanding?

24                   MR. ROBINSON: That's correct.

25                   MR. BALL: If we take this into the  
26

1 context, for example, of the line that was built  
2 south from the Indianola gate, would that line be  
3 described as a feeder line or would the line coming  
4 out of the Indianola gate, would that have some other  
5 terminology?

6 MR. ROBINSON: I think that would be a  
7 feeder line.

8 MR. BALL: Okay. When, for example, the  
9 Company extended service to Panguitch, do you happen  
10 to know, please, which bit of preexisting  
11 infrastructure that began with in order to get the  
12 gas to Panguitch? Where did it start from?

13 MR. ROBINSON: Well, if you know the area  
14 down there, the line to Cedar City went down Highway  
15 89. I believe it went down to about the place where  
16 Highway 20 goes over the mountains and then it  
17 followed that road over and then went down to Cedar  
18 City. So Panguitch is further south on U.S. 89.

19 MR. BALL: So the preexisting plant, would  
20 that have been a feeder line?

21 MR. ROBINSON: Yes.

22 MR. BALL: And the new plant that was  
23 built to get from that preexisting feeder line to  
24 Panguitch, for example, I'm not talking about the  
25 distribution to homes and businesses in Panguitch, in

26

1 and around Panguitch, but the long distance thing,  
2 was that a feeder line as well?

3 MR. ROBINSON: I don't think so. I think  
4 that would have been a main down to Panguitch.

5 MR. BALL: Okay. Now, then, is there a  
6 distinction between the main from the feeder line to  
7 Panguitch and the infrastructure in and around  
8 Panguitch branching network to get the natural gas to  
9 individual customers?

10 MR. ROBINSON: No.

11 MR. BALL: No difference. So everything  
12 that was built for Panguitch would have been regarded  
13 as what? What category, what terminology would you  
14 use to describe that?

15 MR. ROBINSON: Distribution system.

16 MR. BALL: Distribution system, okay.  
17 Have there been instances in extending Questar Gas's  
18 infrastructure where it has built a feeder line as  
19 opposed to a main in order to extend into a  
20 particular area?

21 MR. ROBINSON: There may have been. Most  
22 of these communities are rather small so they  
23 wouldn't require a feeder line.

24 MR. BALL: If I ask you to take your mind  
25 back now and think about all of these service  
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1 extensions, I'm thinking about instances where  
2 Questar has gone beyond its at the time existing  
3 service territory, to take service into an addition  
4 to its service territory. And so that would, I  
5 think, correct me if I'm wrong, include Cedar City  
6 and so forth. Have there been instances where feeder  
7 lines have been built for that purpose?

8 MR. ROBINSON: I'm not totally aware of  
9 whether the lines were categorized as feeder lines or  
10 mains.

11 MR. BALL: Okay. Thank you.

12 On page 6 of your testimony, in line 91  
13 you refer to, quote, "rates established by the  
14 Commission." And on line 93 you refer to "The  
15 Commission imposed higher rates."

16 Would it not, in fact, be accurate to say  
17 that the Commission in both instances was responding  
18 to applications from Questar Gas Company?

19 MR. ROBINSON: Certainly.

20 MR. BALL: They gave you what you asked  
21 for?

22 MR. ROBINSON: And what everybody in the  
23 filing agreed to.

24 MR. BALL: Thank you.

25 Mr. Robinson, have you read the  
26

1 Commission's 26th of May Order approving the rates  
2 reduction stipulation in Docket 05-057-T01 In The  
3 Matter of the Approval of the Conservation Enabling  
4 Tariff Adjustment Option and Accounting Orders?

5 MR. ROBINSON: I have read that before,  
6 yes.

7 MR. BALL: Do you happen to have a copy of  
8 it available to you?

9 MR. ROBINSON: I don't believe so.

10 MR. BALL: Okay. Mr. Chairman, I'm sorry,  
11 I don't have copies for everybody. But this, I  
12 represent, was printed from the Commission's docket  
13 index website yesterday.

14 Mr. Robinson, would you be kind enough to  
15 turn to page 19 of that Order, please? And would you  
16 be kind enough to read the sentence that I have  
17 highlighted in pink?

18 MR. ROBINSON: "The parties recommend that  
19 the Commission appoint a Task Force to further  
20 discuss the best course of action in regard to the  
21 existing GSS and EAC and to develop new tariff  
22 language to address future requests by communities  
23 for expansion of the system."

24 MR. BALL: Thank you.

25 Would you now be kind enough to turn to  
26

1 page 10 and 11? And I'm going to point out to  
2 everyone that what Mr. Robinson just read came from  
3 paragraph 19 of the 10th of May Stipulation that the  
4 Commission made part of its Order.

5 I'm now directing you to page 10 and to  
6 paragraph 5 of the Commission's ordering language.  
7 Would you be kind enough to read the two sentences  
8 highlighted in pink there?

9 MR. ROBINSON: Okay. Paragraph 5 says,  
10 "Create a task force to address GSS expansion area  
11 rate premiums and EACs in the Company's tariff and  
12 develop new tariff language to address future system  
13 expansion requests. The Task Force is to be headed  
14 by the Division of Public Utilities which will be  
15 responsible to schedule, notice and conduct Task  
16 Force meetings and activities and to prepare a final  
17 report containing the Task Force's recommendations."

18 MR. BALL: Thank you.

19 Where in the portions you've read aloud  
20 or, indeed, elsewhere in that Order, did the  
21 stipulants propose or the Commission order that this  
22 essentially self-selected Task Force be empowered to  
23 make recommendations by majority vote?

24 MR. PROCTOR: Objection, your Honor. I  
25 believe it's argumentative with his statement.

26



1                   COMMISSIONER CAMPBELL: I would like the  
2 question answered. Go ahead.

3                   MR. PROCTOR: Mr. Chairman, I know, and I  
4 understand that. And with all due respect, the  
5 question contains rather pejorative characterization.  
6 It almost becomes its own answer typically for the  
7 purpose of this record and perhaps Mr. Ball could be  
8 asked to restate the question.

9                   COMMISSIONER CAMPBELL: Would you restate  
10 the question?

11                   MR. BALL: Do you see anywhere, Mr.  
12 Robinson, either in the portions you've read aloud or  
13 elsewhere in the Order or the Stipulation itself  
14 where it was proposed or ordered that the Task Force  
15 be empowered to make recommendations by majority  
16 vote?

17                   MS. BELL: I would object as well. This  
18 isn't a situation where the Task Force was empowered  
19 by majority vote. There was a majority report and a  
20 minority report filed with the Commission.

21                   COMMISSIONER CAMPBELL: Does that provide  
22 the clarification you need?

23                   MR. BALL: No, it doesn't, Mr. Chairman.  
24 And Questar and the Committee are well aware of where  
25 I'm going with this.

26

1 MS. BELL: I'm not aware, I'm sorry.

2 MR. BALL: Then you're being remarkably  
3 defensive, Ms. Bell.

4 COMMISSIONER CAMPBELL: We're going to  
5 take a 15-minute recess.

6 (Recess taken.)

7 COMMISSIONER CAMPBELL: All right. Let's  
8 go back on the record. Mr. Ball, back to you.

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

10 Mr. Robinson, on page 9, lines 198 through  
11 199 and 202 through 203 you write, quote, "The Task  
12 Force completed its review and agreed upon a proposed  
13 set of actions to resolve these problems," and,  
14 quote, "without the support of the Division and the  
15 other members of the Task Force the Company would not  
16 have filed the application."

17 Yet isn't it a fact that not all attending  
18 Task Force meetings agreed upon a proposed set of  
19 actions or all of the proposed set of actions, and  
20 isn't it a fact that not all of the members of the  
21 Task Force supported everything that the Company  
22 filed the application for?

23 MR. ROBINSON: The Commission established  
24 this Task Force in the CET docket with a specific  
25 purpose, and the purpose of that Task Force was to

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1 meet and discuss the CET -- or the GSS and EAC  
2 problem that the Company and the communities are  
3 facing. It was recognized by the Commission in that  
4 docket that there is a problem existing with the GSS  
5 and EAC areas because they are hindered in their  
6 trying to encourage economic development. There are  
7 islands of high-priced gas in the midst of regular  
8 service territory.

9 MR. BALL: Chairman, I'm sorry, but Mr.  
10 Robinson doesn't seem to be responding to the  
11 question I asked him.

12 MR. ROBINSON: I'm getting to your  
13 question.

14 So the Commission established this Task  
15 Force with a specific purpose, and that purpose was  
16 to address this issue and make recommendations. The  
17 Task Force met as was ordered by the Commission. All  
18 parties participated. They made their opinions  
19 known. There was not a consensus in this Task Force,  
20 as there very seldom is in any of the  
21 Commission-ordered task forces that I have been  
22 involved with over the years.

23 However, there was a majority of the  
24 people involved in the Task Force that did agree on a  
25 set of recommendations and there were some portions

26

1 of the Task Force that all parties agreed to. And,  
2 for example, one of the issues that all parties  
3 agreed to was how to handle the expansion area rates  
4 for the Company on a going-forward basis. There was  
5 no contention on that issue.

6           However, on the issue of what to do with  
7 the GSS and EAC areas at this time, there was a  
8 majority of the people in the Task Force, the parties  
9 that agreed, and they, with that agreement, the  
10 Division, as Chairman of that Task Force, filed the  
11 Task Force report. The Task Force report included  
12 five specific recommendations.

13           The Company, in accordance with that Task  
14 Force report, and because we agreed with the Task  
15 Force report, followed those recommendations, and  
16 that's why we're here today in this docket.

17           MR. BALL: I understand why Questar would  
18 like to represent a report written from the  
19 perspective of the majority of participants in a Task  
20 Force was, in fact, a Task Force report. But the  
21 important point here, not all who participated in the  
22 Task Force agreed with all that the report said, did  
23 they?

24           MS. BELL: I would object.

25           MR. BALL: Answer yes or no.

26

1 MS. BELL: I would object. Mr. Ball did  
2 not participate in the Task Force. He does not know  
3 what the majority did or didn't do. That isn't what  
4 happened.

5 COMMISSIONER CAMPBELL: It's a fair  
6 question to ask: Did everyone in the Task Force  
7 agree to all the recommendations?

8 MR. ROBINSON: Obviously they did not  
9 agree because there was a minority report from the  
10 Task Force to the Commission.

11 COMMISSIONER CAMPBELL: Okay. Question  
12 asked and answered. Let's move on.

13 MR. BALL: Thank you.

14 Were you personally a participant at all  
15 the meetings of the Task Force, Mr. Robinson?

16 MR. ROBINSON: Yes, I was.

17 MR. BALL: Tell us about how the Task  
18 Force formed itself, please.

19 MR. PROCTOR: Your Honor, the Committee  
20 would object. It's beyond the scope of the Direct  
21 Testimony with respect to the manner in which the  
22 Commission and its appointed agent, the Division,  
23 managed or organized the Task Force. It's really  
24 quote irrelevant as well to the issue before this  
25 Commission at this time.

26

1                   COMMISSIONER CAMPBELL: Mr. Ball, do you  
2 want to explain the relevance of your question?

3                   MR. BALL: No. I'll just go somewhere  
4 else, Mr. Chairman. Thank you. The point remains.

5                   On page 11 of your testimony, Rebuttal  
6 Testimony, Mr. Robinson, line 257, you refer to lost  
7 revenue being, quote, "amortized to these rate  
8 classes at a later time."

9                   What rate classes are you referring to,  
10 please?

11                   MR. ROBINSON: Well, Mr. Ball, you  
12 obviously don't understand how the CET mechanism  
13 works. I gathered that from the questions that you  
14 were asking Mr. Barrow. And maybe I could take a few  
15 minutes and explain that if you would like.

16                   MR. BALL: What I would like you to tell  
17 me right at the moment is what rate classes that  
18 particular quote is referring to.

19                   MR. ROBINSON: It's referring to the GS-1  
20 rate class.

21                   MR. BALL: Okay. Thank you.

22                   On page 15 of your Rebuttal Testimony you  
23 quote from the Commission's Supplemental Order dated  
24 the 16th of December, 1981, which you also attach as  
25 an exhibit to your testimony. I believe that it's

26

1 Exhibit 1.3. Yes.

2 On line 378 you use a term that may not be  
3 familiar to -- I beg your pardon, not you, the  
4 Commission at the time used a term that may not be  
5 familiar to everyone in the room, it certainly isn't  
6 familiar to me. It refers to spoiled revenues.

7 Are you in a position to explain what that  
8 term means?

9 MR. ROBINSON: No, I'm not.

10 MR. BALL: Okay, thank you.

11 Chairman, at this point I would like to  
12 turn to Mr. Gimble, Mr. Barrow and Mr. Robinson.

13 MR. ROBINSON: Might I take just a second?  
14 I believe I answered that last question incorrectly,  
15 the one prior to the one he just asked.

16 COMMISSIONER CAMPBELL: You can clarify  
17 your answer.

18 MR. ROBINSON: When he was asking about  
19 the rate classes on page 11, I am talking in this  
20 part of my testimony about the non-GS rate classes,  
21 the IS-4 and the ITS classes. And so those revenues  
22 would be allocated to the I-4 and IT classes, not the  
23 GS-1 class.

24 MR. BALL: And I thank you, Mr. Robinson.  
25 I appreciate that clarification.

26

1                   My next question, Chairman, would be for  
2 Mr. Gimble, Mr. Barrow and Mr. Robinson.

3                   COMMISSIONER CAMPBELL: Go ahead.

4                   MR. BALL: There's some conflict, it seems  
5 to me, in your written testimony and in answers that  
6 some of you have given me today. I'm puzzled about  
7 the use of the term "rate class." Some of you seem  
8 to think that of GS-1 is a rate class; some of you  
9 seem to think that the GS-1, GSS and EAC groups as  
10 distinct from -- not to use the word "class" because  
11 I'm not sure together they represent a class. It  
12 appears to me from looking at the Company's tariff as  
13 though these are three quite separate groups.

14                   Please clarify. Please help me understand  
15 what this is all about, would you, the three of you?

16                   MR. ROBINSON: Do you want me to go first?

17                   MS. BELL: I need further clarification.

18 Are there particular instances --

19                   COMMISSIONER CAMPBELL: Your microphone is  
20 not on, Mrs. Bell.

21                   MS. BELL: I apologize. I need some  
22 further clarification perhaps in that question. Are  
23 there specific instances that Mr. Ball can point to  
24 in Mr. Robinson's where there's some confusion about  
25 the term used, "rate class" or "rate classes"?

26



1                   MR. BALL: I don't know whether there's  
2                   confusion within any one individual's testimony, Ms.  
3                   Bell, but there's certainly confusion between the  
4                   three. And I think what's important is that we have  
5                   a common understanding.

6                   It seems to me that Mr. Robinson and Mr.  
7                   Barrow would like us to understand that GS-1, GSS and  
8                   EAC customers taken together are a class.

9                   COMMISSIONER CAMPBELL: Well, stop right  
10                  there. Are they?

11                  MR. ROBINSON: Yes, they are in some  
12                  respects. Obviously, the GSS is a separate rate  
13                  class in that the rates established for them are  
14                  different than the GS-1 class. However, in the last  
15                  case, for example, 02-057-02, there was revenue  
16                  requirements established for the GS-1 and GSS  
17                  customers as an entire class. And so in that respect  
18                  all of these customers belong to one class that  
19                  received a revenue requirement. Then in the rate  
20                  design portion of the case it was determined that the  
21                  GSS customers would pay a larger portion per customer  
22                  of that revenue requirement than the GS-1 customers  
23                  would.

24                  MR. PROCTOR: Mr. Chairman , to some  
25                  extent as well you're asking for a legal definition

26

1 of these rate classes. And I think it should be made  
2 clear that each of these three groups of customers  
3 pay GS-1 commodity rates, each of them pays the same  
4 DNG rate. For GSS subgroup, they pay a doubled GS --  
5 or GS-1 DNG rate. That doubling multiplied amount is  
6 to address the expansion area costs. That's the --  
7 and they pay that for 20 years and it is billed  
8 volumetrically. The EAC pays a surcharge in addition  
9 to GS-1 rates based on the cost of expansion paid  
10 over time with a specific interest.

11 COMMISSIONER CAMPBELL: Thank you.

12 MR. BALL: Clear as mud.

13 MR. PROCTOR: Mr. Chairman, I hate to do  
14 this, but I'm going to have to ask at this point that  
15 some of the comments such as that be stricken from  
16 the record. I think it tends to cloud the nature of  
17 this proceeding. For example, Mr. Ball is asking a  
18 question, there is an objection. He withdrew the  
19 question, but insists on the record, but the point is  
20 made. A question is not a point for the purpose of  
21 evidence.

22 COMMISSIONER CAMPBELL: We understand  
23 that.

24 MR. BALL: Okay. If I may, Chairman, I  
25 would like to -- I would like to turn to Mr. Adams.

26

1 COMMISSIONER CAMPBELL: All right.

2 MR. BALL: Good morning, Mr. Adams.

3 MR. ADAMS: Good morning.

4 MR. BALL: Bear with me for a second. I'm  
5 trying to find your Prefiled Testimony here. On page  
6 3 of your Prefiled Testimony you say that you moved  
7 your family to Beaver County in November of '94.

8 Since moving to Beaver County, have you  
9 always heated your home and its water with natural  
10 gas?

11 MR. ADAMS: No.

12 MR. BALL: Could you tell us more about  
13 that, please?

14 MR. ADAMS: I built a new house and for  
15 the first year I think we had to use propane. When  
16 it was offered I took it. When gas was offered I  
17 took it.

18 COMMISSIONER CAMPBELL: Mr. Adams, could  
19 you put that microphone closer to you?

20 MR. ADAMS: Do you want me to repeat the  
21 answer?

22 COMMISSIONER CAMPBELL: Did you get it?

23 THE REPORTER: I got it.

24 COMMISSIONER CAMPBELL: We got it.

25 MR. BALL: Later on in your testimony, let  
26

1 me see if I can find the precise location, and I may  
2 not be able to, do you remember characterizing the  
3 rates -- I think they're GSS rates, aren't they, that  
4 are paid in Beaver County?

5 MR. ADAMS: Yes.

6 MR. BALL: Do you recall characterizing  
7 them as unfair?

8 MR. ADAMS: I don't know if it's in there.  
9 That's probably what I said, but --

10 MR. BALL: So I guess my question is, if  
11 they're unfair, why have you continued to pay them?

12 MR. ADAMS: Because I want the gas  
13 delivered to my home.

14 MR. BALL: Would I --

15 MR. ADAMS: If I don't pay them they will  
16 cease to deliver.

17 MR. BALL: Would I be correct in assuming  
18 that natural gas delivered on demand to your home is  
19 a good that you find it desirable to pay for?

20 MR. ADAMS: Yes.

21 MR. BALL: Thank you.

22 Have you read the statute establishing and  
23 governing the Committee of Consumer Services, Mr.  
24 Adams?

25 MR. ADAMS: Yes.

26

1                   MR. BALL: Do you happen to have it in  
2 front of you?

3                   MR. ADAMS: I don't believe I do.

4                   MR. BALL: Mr. Chairman, I'm going to  
5 bring Mr. Adams a copy of Title 54, Chapter 10,  
6 Section 4 taken off the State's website yesterday.

7                   Mr. Adams, I've highlighted in pink  
8 Subsection 3 of Title 54, Chapter 10, Section 4  
9 headed the Duties and Responsibilities of the  
10 Committee. Would you be kind enough to read the part  
11 that I've highlighted?

12                   MR. ADAMS: "The Committee shall be an  
13 advocate on its own behalf and in its own name of  
14 positions most advantageous to a majority of  
15 residential consumers as determined by the Committee  
16 and those engaged in small commercial enterprises."

17                   MR. BALL: When Mr. Robinson testifies  
18 that -- let me just find the exact numbers -- when  
19 Mr. Robinson testifies that about 8,600 customers in  
20 Utah pay the GSS and BAF rates and 825,000 pay just  
21 the straightforward GS-1 rate, which of those two  
22 groups would you say constitutes the majority?

23                   MR. PROCTOR: Mr. Chairman, the Committee  
24 would object to that question on the grounds that,  
25 one, that pure numbers would suggest that the lesser  
26

1 is not a majority since majority is 50 percent or  
2 more. But that's not the statutory interpretation  
3 that I believe would be applied and has been applied  
4 in this particular case. Bear in mind that it is --  
5 the majority's interest is determined by the  
6 Committee, and those are two quite different things,  
7 certainly.

8 And in addition, there are specific  
9 elements of consideration that this Commission  
10 engages in to determine what is in the public  
11 interest statutorily based. And those two would  
12 reflect upon what the majority interest is. So under  
13 the circumstances I believe the question is  
14 objectionable.

15 COMMISSIONER CAMPBELL: Go ahead and  
16 answer the question as it relates to the numbers.  
17 Your explanation is on the record.

18 MR. ADAMS: 8,600 is less by far than  
19 825,000. I'm not sure the point of it. I did very  
20 well in math.

21 MR. BALL: Thank you very much.

22 Turning to the question of subsidization  
23 that you referred to on page 7, line 119 onwards, are  
24 you now or have you ever been a Socialist?

25 MR. ADAMS: No.

26

1 MR. BALL: Thank you.

2 MS. BELL: I would object to that. That  
3 is not a proper question in this proceeding.

4 COMMISSIONER CAMPBELL: Objection  
5 sustained.

6 MR. BALL: I'm just going to point out,  
7 Mr. Chairman, that Mr. Adams says, "Subsidization in  
8 one form or another every day in our society." I  
9 don't know. If that's not tenet of socialism, I  
10 don't know what is."

11 MS. BELL: I object again. This is not a  
12 relevant line of questioning. And there is a point  
13 for that discussion in that testimony as well as in  
14 Questar's testimony, and we will be happy to address  
15 that when Mr. Robinson has a chance for redirect.

16 MR. PROCTOR: Mr. Chairman, and I  
17 apologize for interrupting Mr. Ball. His comment was  
18 made after the objection was sustained, a continuing  
19 statement on the record by him, not an additional  
20 question, certainly didn't respect this Court's  
21 sustaining of the objection. I would move that those  
22 comments be stricken from the record.

23 MR. GINSBERG: I think I would agree with  
24 that.

25 MR. BALL: How terribly sensitive you all

26

1 are. This is supposed to be a public hearing  
2 conducted by the Public Service Commission reviewing  
3 an application by a public utility in concert with  
4 the Division of Public Utilities. At what point does  
5 public become not public?

6 COMMISSIONER CAMPBELL: The issue, Mr.  
7 Ball, is just the decorum and following due process  
8 requirements. We are certainly going to give you  
9 every opportunity to ask your questions and get the  
10 information that we need on the record, but the  
11 motion is upheld.

12 MR. BALL: Thank you. And I certainly  
13 didn't intend to be offensive in any way. And to the  
14 extent that I may have been, I apologize.

15 Turning back to Mr. Adams and his section  
16 on subsidization. To your understanding, Mr. Adams,  
17 is there not already an element of subsidization of  
18 customers in the GSS and EAC areas in as much that  
19 both Questar and the Division of Public Utilities  
20 have testified that, whereas, the investment in the  
21 extension of infrastructure is embedded in rate base  
22 and the GSS and EAC surcharges, whatever they are,  
23 may or may not from case to case, from location to  
24 location actually recover all of the costs, including  
25 a return on equity in those investments, customers  
26



1 including the GS-1 group and the GSS and EAC group  
2 taken together are, in fact, nonetheless, paying for  
3 all of that?

4           So while there may be a shortfall in the  
5 GSS or EAC area, all of those GS customers are  
6 picking up the difference. So I appreciate I've  
7 rambled on a bit. Let me try and boil it down to the  
8 actual question.

9           Do you disagree that there is presently  
10 the potential for a subsidy to be taking place of the  
11 EAC and GSS customers by the others?

12           MS. BELL: I apologize, Chairman Campbell,  
13 and maybe with that clarification we can get  
14 somewhere. But the background and beginning part of  
15 that question would lead me to believe it's beyond  
16 the scope of Mr. Adams' testimony and he is not an  
17 expert in the Company's ratemaking or rate classes or  
18 rates or how our subsidies work or any of that. Mr.  
19 Robinson would probably be the better person to  
20 answer that question.

21           COMMISSIONER CAMPBELL: Let's have the  
22 question answered. Certainly I have read the  
23 testimony around that point. I don't remember if it  
24 was in Mr. Adams' testimony, but some of the other  
25 witnesses have addressed that.

26

1                   MR. ADAMS:  So are you directing me to  
2    answer that question?

3                   COMMISSIONER CAMPBELL:  No, I'm not, if  
4    it's not in your testimony.

5                   MR. ADAMS:  Because I can't.

6                   COMMISSIONER CAMPBELL:  Whose testimony  
7    was it in?  Mr. Robinson, I think it was in your  
8    testimony because I think you said that because we  
9    don't have the data, for all we know GSS could be  
10   subsidizing GS-1 or that GS-1 could be subsidizing  
11   GSS.  I believe that's the heart of the question,  
12   isn't it, Mr. Ball?

13                  MR. BALL:  Yes.

14                  MR. ROBINSON:  I did say that in my  
15    testimony.  And there are -- because Questar Gas  
16    charges average rates to everyone within the State of  
17    Utah, there are subsidies going back and forth  
18    between all of the GS-1 customers wherever you are in  
19    the state.  So you could argue that customers in  
20    Logan are subsidizing customers in St. George, but  
21    looking at it a different way, you could argue that  
22    customers in St. George are subsidizing customers in  
23    Logan.

24                  COMMISSIONER CAMPBELL:  Please continue,  
25    Mr. Ball.

26

1                   MR. BALL: I would like to follow that up  
2 with Mr. Robinson, if I may. Rather than looking at  
3 it from a geographical point of view, Mr. Robinson,  
4 if we look at it from the point of view of a timeline  
5 stretching from the Western Public Service Company  
6 beginning service here in 1929 through to the present  
7 day, there's an element of subsidy along that  
8 timeline as well, is there not, in as much that  
9 customers, for example, who have been customers of  
10 Questar Gas service for, say, 50 years, have probably  
11 seen all of Questar's rate base of 50 years ago fully  
12 depreciated and they're currently paying whatever  
13 they're paying as a contribution to depreciation of  
14 rate and rate of return on equity on infrastructure  
15 that's been built since they ever took service?  
16 Would you agree with that or not?

17                   MR. ROBINSON: I also agree with that,  
18 that there are also subsidies that go from new  
19 customers to old customers. In general, since it  
20 becomes more and more expensive to run mains and  
21 service lines every year, in general, old customers  
22 tend to subsidize new customers. Over a period of  
23 time customers become old customers and, therefore,  
24 the cycle continues.

25                   MR. BALL: Yes. I can feel the older all  
26

1 the time.

2 Don't we in rates, Mr. Robinson, attempt  
3 to ameliorate some of the worst potential for such  
4 subsidies by asking people who want service at new  
5 premises not previously served to make some kind of  
6 connection charge payment or extension of service  
7 payment?

8 MR. ROBINSON: Yes, we do. But it doesn't  
9 cover the entire cost of the new service.

10 MR. BALL: It's kind of a knot in the  
11 direction and it's kind of an average thing at that,  
12 is it not?

13 MR. ROBINSON: Exactly. That's what we  
14 charge is average rates to all customers. Very few  
15 customers are exactly average.

16 MR. BALL: Right. But if, for example, I  
17 were to go and build a home in a part of Salt Lake  
18 County that was a couple of miles away from Questar's  
19 nearest infrastructure, you'd charge me significantly  
20 more, wouldn't you, than if I built a house on a  
21 vacant lot in the middle of a built-up area where I  
22 was 50 or 100 yards away from an existing customer  
23 typically?

24 MR. ROBINSON: That's correct.

25 MR. BALL: Thank you very much.

26



1 testimony that when the Commission created these  
2 rates they recognized that the creation of these  
3 rates was based on estimates. The Company had not  
4 served these areas before. There were significant  
5 risks and unknowns when we went into these areas.  
6 And for that purpose the Commission included in their  
7 order a paragraph which said that should these --  
8 well, maybe I should read it directly. It's on page  
9 18 of my testimony.

10 This is a quote from the Order in Docket  
11 91-057-13. However, this paragraph can be found in  
12 every Order for expansion areas, I believe. And it  
13 says, "In the event that financial projections are  
14 not realized, the impact of cross subsidization of  
15 rates by other customers would be minimal because the  
16 size of the project is small relative to the size of  
17 Mountain Fuel's system."

18 There was a recognition by the Commission  
19 that should -- that although these communities were  
20 required to pay extra revenue for some period of  
21 time, that should it be deemed at some future point  
22 that these rates could be eliminated, that the cross  
23 subsidization to others customers is small. And  
24 that's exactly what we're talking about in this case.

25 MR. BALL: So how much cross subsidization

26

1 of the GSS and EAC areas by the other GS-1 customers  
2 is currently taking place on a customer-by-customer  
3 basis? How many dollars, how many cents a year?

4 MR. ROBINSON: That has not been  
5 determined, and I don't think it could be determined.  
6 I could make a similar argument that GSS customers  
7 are subsidizing you, Mr. Ball, because you live in an  
8 area which has been -- which needs to be reinforced  
9 because of the rapid growth in the Salt Lake Valley  
10 that provides no benefit to the customers in Beaver.  
11 So in that respect, those costs which are included in  
12 everyone's rates to make sure that you have gas every  
13 day does not benefit Mr. Adams here.

14 MR. BALL: But you can't quantify them,  
15 huh?

16 MR. ROBINSON: No. It's not a question of  
17 that because we have determined in this state that we  
18 will charge average rates to all customers.

19 MR. BALL: But you've just quoted to us  
20 your testimony and on line 485 on page 19 you say,  
21 "It is this minimal subsidization by other customers  
22 that we're discussing in this case."

23 Now we're talking here, we're told we're  
24 talking variously two dollars and something, three  
25 dollars and something, depending upon where on the  
26

1 timeline of filing testimony we are.

2 What I'm trying to establish is how does  
3 that two dollars and something, three dollars and  
4 something, that the applicants are now asking the  
5 other GS-1 customers to pick up, how does that  
6 compare with the minimal subsidization that they're  
7 already paying?

8 MR. ROBINSON: No. The minimal  
9 subsidization that the Commission was talking about  
10 in this paragraph is 19 cents per month that we're  
11 talking about in this case.

12 MR. BALL: Well, no, it isn't because the  
13 quote from --

14 COMMISSIONER CAMPBELL: Mr. Ball, you're  
15 in the position here of asking questions rather than  
16 testifying.

17 MR. BALL: I'm trying to, you know, but  
18 when he says something outrageously wrong that needs  
19 to be challenged, doesn't it?

20 MS. BELL: I would object. We don't need  
21 to continue down that line again.

22 COMMISSIONER CAMPBELL: Could you phrase  
23 it in a question?

24 MR. BALL: Well, I'll try to.

25 Your quote, Mr. Robinson, from the  
26



1 Commission Order was, "In the event that financial  
2 projections are not realized." Now, this application  
3 is not about the -- about not realizing financial  
4 projections, is it, it's about abandoning a method of  
5 gathering this revenue all together? Isn't that so?

6 MR. ROBINSON: The point here is that the  
7 Commission recognized that when they created these  
8 areas that these customers would pay for some period  
9 of time. The fact is that the financial projections  
10 have not all been realized. And particularly in the  
11 EAC areas it would appear that because these  
12 projections were not realized, that that is why we  
13 are here today, that we are here to eliminate the EAC  
14 charges because the projections were not realized.  
15 And that's what the Commission was talking about in  
16 this paragraph.

17 MR. BALL: Let's hypothetically assume  
18 that your statement, the statement you've just made,  
19 that we're here because the EAC projections were not  
20 realized, is accurate, and it is a hypothetical.  
21 That only accounts for half a million out of \$1.7  
22 million of this application, doesn't it?

23 MR. ROBINSON: That's correct.

24 MR. BALL: So the hypothetical isn't  
25 accurate, is it? We aren't just here for that?

26

1                   MR. ROBINSON: Well, we're also here  
2 because of the GSS areas which are experiencing  
3 economic hardship because of these rates.

4                   MR. BALL: Let's turn back to the EAC for  
5 a moment. We'll come back to the GSS afterwards.  
6 With regard to the EAC, the financial projection  
7 going in, as I understand it, and I'm going to ask  
8 you to correct me -- my question is correct me where  
9 I've got this wrong. Going in, the financial  
10 projection was, and we keep this going until we've  
11 got payoff, there was nothing there about after "X"  
12 years we'll walk away from it as there was in the  
13 first tier of GSS-1 things, was there? What's wrong  
14 with that?

15                   MR. ROBINSON: There are some areas which  
16 are receiving EAC rates, and I agree that the  
17 conditions were that they would pay those rates until  
18 the Company had received on a present value basis a  
19 certain amount of revenue. It now appears in some  
20 areas because these financial projections were not  
21 realized that those rates would extend far beyond the  
22 15 years that was originally projected.

23                   MR. BALL: Am I right in interpreting from  
24 Exhibit 7 to your application, the summary of EAC  
25 payoff scenarios at various interest rates, that  
26

1 Cedar Fort is due to complete its obligation in June  
2 of this year, several years ahead of projection?

3 COMMISSIONER CAMPBELL: Mr. Ball, could  
4 you identify? I have the application before me, I  
5 would like to follow along.

6 MR. BALL: It's Exhibit 7 to the  
7 application, Chairman. It's a spreadsheet.

8 MR. WILDE: It's Exhibit 1.--

9 MR. BALL: Oh, I'm sorry. I guess it's  
10 Exhibit 7, I guess to the Task Force report, I beg  
11 your pardon, which is part of the application which  
12 was Exhibit 1.1. I don't know, I should be quiet and  
13 let Mr. --

14 MR. ROBINSON: It's Exhibit 1.1 and  
15 it's an exhibit to the Task Force report, it's  
16 Exhibit Number 7.

17 COMMISSIONER CAMPBELL: All right. I  
18 found it. Could you go ahead with your question  
19 again, Mr. Ball?

20 MR. BALL: Yes. My question is that in  
21 that exhibit, even at the current interest rate of  
22 9.64 percent, Cedar Fort is due to pay off in June  
23 '07, which is only about halfway through the  
24 projected 15-year period, isn't it?

25 MR. ROBINSON: Yes. The reason that Cedar  
26

1 Fort --

2 MR. BALL: Well, that's all right. We  
3 don't need to go into that.

4 MR. ROBINSON: No, I think we do need to  
5 go into that because a significant occurrence --  
6 there was a significant occurrence for Cedar Fort, in  
7 that in 2005 a major portion of the main that was  
8 originally run to Cedar Fort was purchased by  
9 PacifiCorp or Rocky Mountain Power, and that  
10 significantly changed the payoff date for Cedar Fort.

11 MR. BALL: So it isn't that Lakeside is in  
12 Cedar Fort's boundaries, it is that the main that was  
13 built to take gas to Cedar Fort has been purchased by  
14 PacifiCorp for something else?

15 MR. ROBINSON: That's correct.

16 MR. BALL: I do hope that the Division and  
17 Committee will pay attention to that when they come  
18 to review PacifiCorp's books and records next time.

19 Nevertheless, New Harmony, 13.5 years;  
20 Wales, 14.7 years, both within the 15 years. Fayette  
21 is at 15.5 and Panguitch 16.4, not much in excess.  
22 It looks as though Oak City, Joseph and Sevier,  
23 Newton and Clarkston and Brian Head are the ones that  
24 are in a big black hole. Do I characterize that  
25 correctly?

26

1                   COMMISSIONER CAMPBELL: Could you be more  
2 specific? What does a "big black hole" mean?

3                   MR. BALL: Yes. It means that this  
4 spreadsheet is suggesting that payoff in those cases  
5 is going to take considerably more -- well, it's  
6 going to take more than the 15 years that were in the  
7 original projections. It doesn't actually give an  
8 estimated date, it just says after 2015.

9                   But if I look, for example, at the case of  
10 Brian Head, Brian Head's original balance was below  
11 \$1.2 million and its current at May of '06 was in  
12 excess of \$1.6 million. So Brian Head is actually  
13 getting worse with time, not better.

14                   COMMISSIONER CAMPBELL: So what's your  
15 question then?

16                   MR. BALL: My question is, some of these  
17 EAC communities are going to pay off before or  
18 approximately at the expected time, the original  
19 projection, some of them are apparently not; is that  
20 accurate?

21                   MR. ROBINSON: Well, you can look at the  
22 exhibit here as well as I can.

23                   MR. BALL: So you're not going to question  
24 my interpretation of what that exhibit says. Thank  
25 you. I'll move on.

26

1           Oh, yes. Mr. Adams, please. You talked  
2     in your testimony on pages 4 and 5 about a company  
3     that produces tissue paper from used office paper.  
4     You said that it used a considerable amount of  
5     natural gas. We I don't think need to go into the  
6     detail of that.

7           But tell me, were there any other issues  
8     for this company in deciding whether or not to locate  
9     in Beaver apart from the natural gas tariff that  
10    Questar Gas could offer it?

11           MR. ADAMS: Yes, there were. There always  
12    are. Where a company seeks to or chooses to locate  
13    and expand an operation or a new operation is the  
14    result of a mathematical formula that's really quite  
15    simple. It takes into account water, electricity,  
16    natural gas, people, everything. And in the process  
17    of economic development, my job is to point out to  
18    our local elected officials and residents places  
19    where we have deficiencies or we have uncompetitive  
20    situations.

21           And this specific place or this specific  
22    company, they had a large water requirement. The  
23    city felt like they could meet that requirement,  
24    however, but that was an issue. Electricity wasn't  
25    really much of an issue. But the point is, is that  
26

1 in a rural community when you try to attract  
2 business, it's a long, painstaking process that  
3 basically you try to put your best foot forward and  
4 you discover the points where you have competitive  
5 issues and you deal with them.

6 MR. BALL: Do you happen to know, Mr.  
7 Adams, where this company eventually chose to locate?

8 MR. ADAMS: It appears they're going to  
9 locate in St. George.

10 MR. BALL: Is this the company that was  
11 referred to in the Deseret Morning News on Saturday,  
12 January 20th, as ST Paper, LLC?

13 MR. ADAMS: That is. There was one  
14 project initially and it spun off into two projects  
15 and that is one of them.

16 MR. BALL: What's the other one?

17 MR. ADAMS: I just know it by the code  
18 name that's given by the Economic Development  
19 Corporation of Utah, and that is Paperweight.

20 MR. BALL: Okay. Is Paperweight coming to  
21 Utah, do you know?

22 MR. ADAMS: Actually, I take that back. I  
23 think ST Paper is Project Paperweight. There is  
24 another one that is still looking at Utah. They  
25 haven't spoken to me --

26

1                   MR. BALL: Okay. So the other part hasn't  
2 decided yet?

3                   MR. ADAMS: No.

4                   MR. BALL: Okay. Some questions for Mr.  
5 McCandless, if I may, Chairman.

6                   Good morning, Mr. McCandless.

7                   MR. MCCANDLESS: Good morning.

8                   MR. BALL: How long have you lived in  
9 Emery County?

10                  MR. MCCANDLESS: All of my life with the  
11 exception of college.

12                  MR. BALL: When natural gas first became  
13 available in Emery County, did you take advantage of  
14 that in your home?

15                  MR. MCCANDLESS: Actually, I did. In my  
16 previous home I actually am served by a geothermal  
17 system with a backup of propane, quite frankly.

18                  MR. BALL: What did you do before natural  
19 gas was available?

20                  MR. MCCANDLESS: In the locations that  
21 I've lived personally, that actually predates my  
22 actually being a homeowner. I mean, I have lived in  
23 the communities that have been serviced for multiple  
24 years. Well before, I believe, even before the time  
25 I was even born.

26



1 MR. BALL: What typically did people use?

2 MR. MCCANDLESS: Obviously, in Emery  
3 County they used coal because of the availability of  
4 the resource.

5 MR. BALL: And why would people want to  
6 change from coal to natural gas, do you think?

7 MR. MCCANDLESS: Well, there's a lot of  
8 reasons, but the number one reason is still  
9 affordability. While the coal might appear to be  
10 cheap, you've got transportation costs, you've got  
11 storage costs, you've got all those. And the  
12 majority of people that switch away from coal to  
13 natural gas do it on an economic factor. But there  
14 are other factors besides that. The cleanliness,  
15 inavailability of facilities and infrastructure.  
16 You can't just go down to the hardware part and buy  
17 parts for a coal-fired furnace anymore. They just  
18 don't exist on a regular basis.

19 MR. BALL: Now, you commented in your  
20 testimony at page 3, lines 22 and 23, quote,  
21 "Furthermore, residential customers in Cleveland have  
22 struggled to afford the increased cost of service in  
23 the community."

24 If I can be permitted a sidebar here,  
25 Chairman, it's not a flippant one. I grew up in a  
26

1 home where the heat source and the water heating  
2 source was coal. I'm familiar with all of it. I  
3 watched my parents working together when I was a  
4 child to sweep the chimney. It was a part of the  
5 annual spring cleaning routine and it was incredibly  
6 messy and usually resulted in a project that spread  
7 over several weeks, and then clean the floors, clean  
8 the walls, clean the ceilings, and it might even  
9 involve repainting considerable parts of them.

10 MS. BELL: Excuse me, Chairman Campbell.  
11 I appreciate this story and this narrative, but --

12 COMMISSIONER CAMPBELL: Your microphone is  
13 not on.

14 MS. BELL: I apologize once again. I  
15 appreciate Mr. Ball's narrative, but is he  
16 testifying?

17 COMMISSIONER CAMPBELL: I think he's  
18 creating a basis for his question.

19 MR. BALL: I just want to signal that I'm  
20 not unsympathetic to the folks in the GSS and the EAC  
21 areas.

22 MR. MCCANDLESS: Well, and if I can  
23 comment on that specific comment in my testimony, I  
24 also serve as a Board of Directors member for a water  
25 company that serves this same group of people, North

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1 Emery Water Special Service District, and it just so  
2 happens that for an application in which we just  
3 submitted to the Community Impact Board, which sounds  
4 about basically the same time period that we're  
5 dealing with here, we've addressed some of these  
6 same, I guess you would call them, low income and  
7 fixed income issues.

8           And that's really the point that we're  
9 trying to make here. Is that within this general  
10 area, we have approximately 40 percent of the people  
11 in the Cleveland area that are on fixed income,  
12 retired individuals. That is the problem, is that  
13 you add \$16.50 to \$30 a month to those particular  
14 group of customers' bills, it becomes extremely  
15 painful. That is the difference between making a  
16 choice between that and a lot of other things that  
17 they could have. And that's the point.

18           MR. BALL: Exactly. Isn't it the case,  
19 though, that they have a choice? They had a choice  
20 to begin with and they have a choice every day?

21           MR. MCCANDLESS: Quite frankly, one of the  
22 challenges that has occurred in the community as a  
23 result of having natural gas expand throughout those  
24 is you really don't have a place to go and buy  
25 alternative options right now. There's not coal

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1 mines that you can go up and buy coal as you want it  
2 as there were. The band went away and, therefore,  
3 the opportunity went away. And so the opportunities  
4 to do things that are, quote-unquote, different are  
5 significantly less than they were five years ago, a  
6 lot less than they were ten years ago.

7 MR. BALL: But as you've already indicated  
8 to us, you can acquire propane?

9 MR. MCCANDLESS: You can acquire propane,  
10 correct.

11 MR. BALL: Thank you.

12 Now, you referred -- help me out here, if  
13 you will. Didn't you refer to a company that wanted  
14 to locate in Cleveland or was that someone else?

15 MR. MCCANDLESS: We did, we had a lumber  
16 mill.

17 MR. BALL: A lumber mill?

18 MR. MCCANDLESS: That's correct. We have  
19 a lumber mill that was looking at locating at various  
20 locations in the Carbon County and Emery County area.

21 MR. BALL: Where did they end up locating?

22 MR. MCCANDLESS: They are in negotiations  
23 currently to acquire part of an existing lumber mill  
24 in Carbon County.

25 MR. BALL: Would your -- if I asked the  
26

1 same question that I asked Mr. Adams about the  
2 factors that companies take into account in deciding  
3 where to locate, is there anything different or  
4 additional that you would like to say about that?

5 MR. MCCANDLESS: No. I mean, our role is  
6 exactly as Mr. Adams has said. We are trying to put  
7 our best foot forward and when we find a deficiency,  
8 our job is to find ways to take action on that  
9 deficiency. It's really that simple. I mean, in  
10 this case, the lumber mill, we had identified  
11 specific pieces of property and worked through all of  
12 the other issues, but when we became aware of this  
13 one it was a substantial concern to the investors.

14 MR. BALL: You too have read the statute  
15 of the Committee of Consumer Services?

16 MR. MCCANDLESS: Correct.

17 MR. BALL: Help me understand, you quoted  
18 Subsection 1 and 2 --

19 MR. MCCANDLESS: Correct.

20 MR. BALL: -- of Title 54, Chapter 10,  
21 Section 4, but you didn't quote Subsection 3. Why  
22 did you choose not to quote Subsection 3?

23 MR. MCCANDLESS: Because the point I'm  
24 trying to make is that those are not mutually  
25 exclusive definitions. You know, my interpretation

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1 that I was trying to make, and I think that could be  
2 very well argued, is that all three of those are  
3 responsibilities of the Committee. The concern that  
4 we had that we were trying to present is we actually  
5 went to the Committee requesting them to assist us in  
6 this process, being not utility experts and  
7 specifically dealing with natural gas, but it seemed  
8 like that the two arguments to deal with 1 and 2,  
9 which was to deal with the residential people and  
10 then specifically dealing with small commercial  
11 enterprises, did not seem to have adequate attention  
12 paid to those. We believe that those are also  
13 mandates given by the legislature to the Committee in  
14 addition to number 3.

15 MR. BALL: So am I to understand that you  
16 have no qualm about the Committee deciding to  
17 applicate positions advantageous to a majority of  
18 residential and small business customers?

19 MR. MCCANDLESS: So long as they don't  
20 ignore the other two requirements they also have in  
21 the statute.

22 MR. BALL: So you're saying as long as  
23 they consider them they don't necessarily have to  
24 advocate them?

25 MR. MCCANDLESS: I believe they have a  
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1 responsibility to advocate those. They are in a very  
2 difficult position. In many cases they, in my  
3 opinion, would have to advocate two different points  
4 of view. They as a Board may not necessarily agree  
5 with what the person, say, in Cleveland is trying to  
6 accomplish, but the way I would interpret that  
7 statute and the intent of my testimony here was to  
8 say they still have a representative to assist them  
9 through that process.

10 MR. BALL: So you're talking about the  
11 responsibility to assist?

12 MR. MCCANDLESS: It says, "The Committee  
13 shall assess those actions on behalf" -- I'm sorry.  
14 "The Committee shall assess the impact of utility  
15 rate changes and other regulatory actions on  
16 residential customers and those engaged in commercial  
17 enterprises," and number 2 is very key.

18 "The Committee shall assist residential  
19 customers and those engaged in small commercial  
20 enterprises and appearing before the Public Service  
21 Commission of Utah." It does not go on in Section 3  
22 to say "unless you have a different opinion." That  
23 is still one of the requirements that they have.

24 MR. BALL: Do you believe that the  
25 Committee has fulfilled its duty under Subsection 2

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1 today by assisting you and others from the rural  
2 communities in presenting your cases here?

3 MR. MCCANDLESS: I would say they're  
4 closer than they have been, but in my opinion,  
5 they're still not fully understanding, quote-unquote,  
6 "our issues." I think that there's still a  
7 substantial gap that exists in their understanding of  
8 the, quote-unquote, "rural issues" and the economic  
9 things that you were heading down with your story.  
10 Those are things that people on the Wasatch Front 20  
11 years ago understood, but it's becoming farther and  
12 farther out of their memory. And that's kind of the  
13 point we were trying to make is that there's still a  
14 responsibility for someone to represent that group of  
15 customers.

16 MR. BALL: Yes. I won't ramble off,  
17 Chairman, into the story about why I'm here today.  
18 I'll talk to Mr. McCandless about that separately  
19 sometime.

20 May I have just a moment?

21 COMMISSIONER CAMPBELL: Let's go off the  
22 record a minute.

23 (Discussion off the record.)

24 COMMISSIONER CAMPBELL: Let's go back on  
25 the record. Mr. Ball?

26



1 MR. BALL: Thank you, Chairman.

2 I understand it's the intention of some of  
3 the other parties to offer redirect. I may have some  
4 additional questions and perhaps I can pick up  
5 anything that slipped my attention at that time.  
6 Would that be okay?

7 COMMISSIONER CAMPBELL: We've been pretty  
8 liberal around here.

9 MR. BALL: Thank you very much.

10 COMMISSIONER CAMPBELL: Commissioner  
11 Allen.

12 COMMISSIONER ALLEN: Thank you.

13 I have a question for Mr. Barrow since you  
14 were the one that was managing this Task Force, I  
15 believe acting as the Chair, correct?

16 MR. BARROW: Yes, I was.

17 COMMISSIONER ALLEN: As we look at these  
18 issues that we've been discussing and I read the  
19 testimony, I have to ask myself the question, was  
20 there any discussion as to whether or not because of  
21 the public interest issues and policy issues why this  
22 shouldn't be in front of the legislature? Did you  
23 have any of those discussions?

24 MR. BARROW: As far as the future dealing  
25 with this issue, that was a primary discussion, that

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1 it probably could become a legislative matter in how  
2 to extend gas service to customers who currently do  
3 not have it. Dealing with those customers that do  
4 have it, we felt that that was probably an issue we  
5 needed to deal with because it is a current tariff  
6 issue that Questar Gas has.

7 COMMISSIONER ALLEN: So it did come up in  
8 the meetings that that might be a legislative issue?

9 MR. BARROW: Yes, yes. Particularly with  
10 the future requirements of our customers who do not  
11 currently have gas service.

12 COMMISSIONER ALLEN: To the other parties,  
13 does anyone have any strong feelings or testimony as  
14 to why it's more appropriate in front of us instead  
15 of the legislature, or do you have feelings in that  
16 regard? I'm talking specifically about the public  
17 policy issues that have been presented to us.

18 MR. PROCTOR: Well, the public policy  
19 issue, I believe, certainly from the Committee's  
20 standpoint, is with respect to the next community  
21 that seeks natural gas service. And Mr. Barrow is  
22 correct, with respect to that next community there's  
23 -- the tariff, as designed, would require an up-front  
24 nonrefundable contribution.

25 In other words, the GSS form of recovering  
26

1 somewhat the costs in the EAC fixed amount recovery  
2 would no longer be available. That follows into,  
3 then, do you create a universal service fund similar  
4 to telephone? Do you create an economic development  
5 infrastructure fund? And I think Mr. McCandless and  
6 Mr. Adams would probably be the best to address the  
7 policy issue going forward as far as the legislature  
8 is concerned.

9 COMMISSIONER ALLEN: Could you respond to  
10 that too, also, please, Mr. Adams?

11 MR. ADAMS: We've discussed those issues,  
12 in fact, had a discussion yesterday with certain  
13 members of the Rural Partnership Board, and we intend  
14 to take that discussion up and present it. There is  
15 a bill, I think it's -- is it a House Bill or Senate  
16 Bill?

17 MR. MCCANDLESS: It's SB 10.

18 MR. ADAMS: -- SB 10 that creates  
19 opportunities for rural areas to receive part of the  
20 Industrial Assistance fund For this type of thing.  
21 Now, it needs to be funded a little bit better.

22 There are other ideas that we have spoken  
23 about. One idea that came up yesterday is Washington  
24 County is talking about putting in a pipeline to Lake  
25 Powell. That may be a very opportune time to team up

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1 with that project to get natural gas lines into Kanab  
2 because they're one of the next communities.

3 But Mr. McCandless and myself are both  
4 active in that regard. And you need to understand,  
5 I'm new to this regulatory process. I don't  
6 understand it well. So we do whatever we can to  
7 succeed.

8 COMMISSIONER ALLEN: So are you saying  
9 that you generally brought it to us first, but you're  
10 only talking about enabling or involving the  
11 legislature for future decisions? Did you discuss  
12 the possibility of using legislation to deal with the  
13 existing situation?

14 MR. MCCANDLESS: If I could answer that.  
15 We had discussions particularly with members of the  
16 Governor's Office of Economic Development very early  
17 on in this process and brought it to their attention,  
18 I would say, really simultaneously with Mr. Gayle  
19 McKeachnie who kind of runs that office, and I think  
20 there's agreement that when it comes to decisions of  
21 policy for the State that the legislature is the  
22 appropriate place to deal with that. But I think it  
23 was everyone's interpretation that because this is an  
24 existing situation, it's not really a policy decision  
25 so much as it is what do we do now with the situation  
26

1 we've got. It kind of ended up that more of the next  
2 focus is on the next communities rather than the  
3 existing communities.

4 COMMISSIONER ALLEN: Thank you.

5 I just have one more. I just want to make  
6 sure I understand the technical issue, and this is  
7 for Mr. Barrow also.

8 You talked about the possible solution to  
9 this problem would be to use the CET and balancing  
10 account. As you know, we have strong feelings, or we  
11 indicated those in our last orders, that we want to  
12 have some evidence during this period of time, the  
13 trial period, that DSM is working and the programs  
14 are working.

15 Would you describe for me and summarize  
16 again how you're going to ensure, if this approach  
17 was taken, this isn't going to muddy the waters of  
18 the existing CET situation?

19 MR. BARROW: Well, specifically to the  
20 recommendation that I made, we decided that the  
21 revenue, I guess the missed revenues from GSS/EAC  
22 would be tracked in a separate account so that we  
23 could actually track to see what actual revenues, you  
24 know, the Company was experiencing in moving these  
25 GSS/EAC rates to the GS-1 schedule.

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1                   As far as what effect that the actual DSM  
2 programs have, as you know, we're in the process with  
3 the DSM Task Force in trying to come up with those  
4 particular measures or ways of analyzing exactly how  
5 we are going to track the effectiveness of the DSM  
6 programs, and hopefully we'll be able to gain a  
7 better understanding of how that can be measured  
8 against the CET tariff program.

9                   COMMISSIONER ALLEN: It sounds like, then,  
10 you're comfortable that using your suggestion would  
11 not create unintended consequences, we would still  
12 have clarity; is that correct?

13                  MR. BARROW: Well, yes. The suggestion we  
14 had, again, is because it would be tracked in a  
15 separate sub account that those revenues would be  
16 isolated from any other issues going on with why  
17 people choose to use more or less gas.

18                  COMMISSIONER ALLEN: That's what I  
19 thought. I just wanted to make sure I understood  
20 that correctly. Thank you.

21                  COMMISSIONER CAMPBELL: Commissioner  
22 Boyer.

23                  COMMISSIONER BOYER: Thank you, Mr.  
24 Chairman.

25                  Let me preface my questions with a  
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1 statement that those participating shouldn't  
2 misconstrue my questions as being or indicating an  
3 anti economic development in rural areas because I  
4 think it's self-evident that that's a good thing.

5           And let me also say that dealing with cost  
6 recovery of expansion costs on an ad hoc basis based  
7 on projections has been problematic and is  
8 problematic, and if we don't fix it it will be in the  
9 future.

10           My questions are more legal in nature and  
11 they're addressed to anyone who wishes to answer  
12 them. But we are, in essence -- I mean, the basis  
13 for the Petition is couched in terms of economic  
14 development in rural areas and removing barriers to  
15 economic development.

16           However, I searched our statute in vein  
17 for language in there granting the Public Service  
18 Commission authority or power to become involved in  
19 economic development issues apart from some public  
20 interest language. The legislature has been involved  
21 in this and continues to be. The Executive Branch  
22 has an agency, the Governor's Office of Economic  
23 Development, dealing with these issues.

24           Do we have the authority and jurisdiction  
25 to become involved in issues of this nature?

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1                   MS. BELL: I believe that you do. I think  
2 the Commission has been involved in these issues. As  
3 Mr. Ball would say, from 1929 going forward, we've  
4 had issues with regard to recovering costs for  
5 expansion, and that's what this is about. This is  
6 about trying to figure out what makes the best sense  
7 to recover these costs. All of these charges were  
8 deemed just and reasonable and now we're coming to  
9 you today not just because of economic development  
10 considerations, but to determine whether on a  
11 going-forward basis these communities should bear  
12 these costs going forward. I do believe you have  
13 that authority to determine whether or not we should  
14 level the playing field for all these communities.

15                   COMMISSIONER BOYER: Anybody else want to  
16 add to Ms. Bell's statement?

17                   MR. GINSBERG: I don't think you can look  
18 at the issue solely with respect to the testimony  
19 that's been presented dealing with economic  
20 development, but also need to look at it specifically  
21 with respect to how long these rates have been in  
22 effect and whether they're reasonable under the --  
23 whether there was economic development testimony  
24 presented or not, should they continue and how long  
25 they should continue.

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1 COMMISSIONER BOYER: Thank you.

2 Mr. Proctor?

3 MR. PROCTOR: Thank you, Commissioner  
4 Boyer.

5 The rate methodology that resulted in the  
6 GSS rates both for the first phase, the 10-year  
7 payback in St. George and Iron County, and then later  
8 for what is now the GSS customer over a 20-year  
9 period of time was a methodology based upon estimates  
10 and projected growths and projected revenues based  
11 upon that growth. And it's proven to be -- in the  
12 first 10 years it proved to be inaccurate because  
13 what was 10 years was now 20 years because of the  
14 increased cost of expansion.

15 And so at this point in time -- also, when  
16 you look at things such as the census, 1990 versus  
17 2000 in Beaver County, you'll see that the population  
18 growth has been minimal and, of course, that's  
19 driving the number of customers.

20 So at this point in time the GSS customers  
21 have been paying for 15 years at a rate that is much  
22 higher in the DNG portion than every other GS-1  
23 customer. So the rate methodology is no longer  
24 working appropriately. And then you come back to  
25 that paragraph 7 of your '91 Order saying if those

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1 projections are not correct, then the Commission  
2 recognizes that they're going to have to change and  
3 there may be cross subsidization, but we believe it's  
4 to be minimal.

5           So I think that the Commission has the  
6 authority. Statutorily, of course, you can modify  
7 and change any Order that you may issue. And that  
8 would certainly be applicable here. But if you go  
9 back to the orders that you've issued over the years,  
10 both AEC and GSS, you'll find reference to this is  
11 based on an estimate and we believe it will work, but  
12 it may not.

13           COMMISSIONER BOYER: And some of the  
14 participants have argued in their testimony that  
15 while the GSS rates and the EAC mechanism was just  
16 and reasonable at one time, it may no longer be. So  
17 are you saying that under notions of justness and  
18 fairness and reasonableness we could adjust those, at  
19 this point we would have authority to do that without  
20 going to a full rate case?

21           MR. PROCTOR: The Committee's initial  
22 recommendation was the rate case because the rate  
23 case would bring all of the costs of service and all  
24 of the revenues and all of the plant investment into  
25 a single forum and resolve it that way. Mr. Gimble

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1 can explain better than I his Rebuttal Testimony  
2 describing other alternative ways to deal with it.  
3 The rate case at this point in time, based on our  
4 testimony, would be a preference, but that doesn't  
5 mean that there are not many other equally  
6 satisfactory results or solutions to the problem.

7 MR. GIMBLE: And as my Rebuttal Testimony  
8 indicated, the CET wouldn't be our preferred  
9 alternative. What we put up as an alternative was  
10 place those uncollected revenues, estimated  
11 uncollected revenues in a different account for  
12 future treatment.

13 COMMISSIONER BOYER: In a rate case?

14 MR. GIMBLE: Yes.

15 COMMISSIONER BOYER: Thank you.

16 Let's talk about a specific and historical  
17 example, and that's the Panguitch case, Docket  
18 98-057-02, a similar circumstance in which service  
19 was to be or was desired to be extended to Panguitch.

20 And in that case the legislature actually  
21 passed a law empowering the Commission to do  
22 something very similar to this, to add an adder to  
23 the non-gas portions of rates.

24 So my question is, if legislation was  
25 required then to do something similar, why not this

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1 time? I understand that that was an EAC and not a  
2 GSS rate, but my question remains the same. Why do  
3 we not need legislation now if we needed it in '98 or  
4 '97?

5 MR. GINSBERG: Is your question  
6 legislation with respect to adding new service areas  
7 or --

8 COMMISSIONER BOYER: Or even correcting  
9 the problems that arose under the existing GSS rates.

10 MR. GINSBERG: I don't think the Panguitch  
11 legislation addressed how long the rate would  
12 continue. It only authorized the Commission to  
13 address the issue specifically.

14 COMMISSIONER BOYER: And it set two  
15 parameters.

16 MR. GINSBERG: Right. After it had been  
17 rejected, as I understand it, in an earlier  
18 proceeding by the Commission.

19 COMMISSIONER BOYER: That's correct.

20 MR. PROCTOR: And, Commissioner Boyer, it  
21 was rejected because it was not economically feasible  
22 for Questar to move into that area by this  
23 Commission. Then the legislation was issued that it  
24 sunset. So it was a very narrow window to provide  
25 service to Panguitch. Two other communities got into

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1 that, Cove Fort and Brian Head, and Brian Head is  
2 really the poster child for why this doesn't work.

3 The financial projections were still  
4 required under I think it was Senate Bill 180 and  
5 they were done for Brian Head and Panguitch, and  
6 there was also a limit on how much the Company would  
7 be required to spend to serve those communities  
8 because, obviously, the cost was far greater than  
9 would be otherwise economically justifiable.

10 Brian Head turned out to be -- to have  
11 none of the growth and, as Mr. Ball has pointed out,  
12 will never pay off the EAC even under the statute.  
13 But the statute also recognizes that there is in any  
14 event going to be some payment by all ratepayers for  
15 a specific service to a specific identified community  
16 and that that was acceptable. But I don't believe  
17 that that statute set any precedent binding this  
18 Commission's hands in changing what it had done  
19 before in granting extension areas.

20 COMMISSIONER BOYER: And that's how you  
21 would distinguish the present circumstance from what  
22 happened in '98 then?

23 MR. PROCTOR: Absolutely.

24 COMMISSIONER BOYER: Ms. Bell?

25 MS. BELL: Mr. Robinson.

26

1                   COMMISSIONER BOYER: Or Mr. Robinson?

2                   MR. ROBINSON: I think there are  
3 significant differences in the circumstances that led  
4 to the House Bill 180 and the circumstances that  
5 we're faced with today. At that point in time the  
6 Company had determined that it was not feasible to go  
7 to Panguitch. The legislation essentially said that  
8 the Company -- that the Commission could allow the  
9 Company to extend down to Panguitch and explicitly  
10 subsidize the community of Panguitch to all other  
11 customers.

12                   In the circumstances that we're under  
13 today, the communities that have been extended GSS  
14 rates and EAC charges have -- they have no  
15 contractual obligation either with the Company or  
16 with the Commission to pay those charges for a  
17 particular length of time. The only obligation that  
18 those customers in those areas have is to pay the  
19 rates that the Commission imposes upon them.

20                   And when the Commission created the GSS  
21 rates they said, "We will" -- all of the costs, all  
22 of the rate base that was associated with all of  
23 these areas was immediately rolled into the Company's  
24 revenue requirement. And so all costs were spread to  
25 all customers.

26

1                   It was then determined that to compensate  
2                   the existing customers, these customers would pay  
3                   premium rates for some period of time, okay? It is  
4                   up to the Commission's jurisdiction, at least in my  
5                   opinion, I'm not an attorney, but in my opinion it is  
6                   within the Commission's jurisdiction to change the  
7                   rates and charges to those customers whenever they  
8                   see fit, whenever it makes sense and results in just  
9                   and reasonable rates.

10                   COMMISSIONER BOYER: And we can do that  
11                   outside of a rate case so long as the revenue rate  
12                   remains constant; is that your position?

13                   MR. ROBINSON: Yes.

14                   COMMISSIONER BOYER: Thank you.

15                   MS. BELL: I was just going to add, that's  
16                   not the only. I mean, yes, you can do this outside  
17                   of a rate case. That isn't the only reason why you  
18                   shouldn't be able to do it outside of a rate case.

19                   COMMISSIONER BOYER: My next question has  
20                   to do with fairness and equity. And, that is,  
21                   there's been testimony that some of the communities  
22                   who entered into these agreements have paid their  
23                   fair share and the costs have been recovered for the  
24                   expansion and others have not, and some may never  
25                   under the current structure. The agreements were

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1 entered into presumably on an arms-length basis and  
2 were found to be just and reasonable in prior  
3 proceedings.

4                   So what about the fairness issue of these  
5 folks, those who have paid, those who have underpaid,  
6 those who have received a smaller benefit or a larger  
7 benefit than they anticipated? Need we trouble  
8 ourselves with that issue, fairness and equity?

9                   MR. ROBINSON: Well, that's why the Task  
10 Force was created because these questions of fairness  
11 and equity are very difficult questions to answer.  
12 And as we've already pointed out, there are subsidies  
13 inherent in the rates that we pay, all customers pay.  
14 And so to say that any particular rate is fair and  
15 equitable to any specific customer is difficult to  
16 say because all customers are being subsidized in one  
17 way or another from other customers, and are  
18 subsidizing.

19                   And so the Task Force wrestled with this  
20 question, and I believe that's why the Task Force was  
21 created, to come up with a solution to this problem.  
22 Because I will agree that whatever we do can be  
23 argued as not fair to somebody else. Whether we  
24 leave them -- leave the rates as they are today, that  
25 might not be fair to some people; if we remove the

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1 rates it will not be fair to some people. The Task  
2 Force wrestled with these issues and recommended that  
3 these rates, indeed, be removed at this time.

4 MR. BARROW: Commissioner Boyer, I might  
5 mention that that was one of the things that the  
6 Division recognized when it was analyzing the  
7 situation was that these rates were tied to  
8 geographic areas, not individuals. A person can move  
9 from one of the GSS areas into Provo or Salt Lake or  
10 something and they immediately become a GS-1  
11 customer.

12 COMMISSIONER BOYER: But then they have to  
13 deal with traffic, though.

14 MR. BARROW: Well, that's true. But  
15 there's no one there to replace that revenue in the  
16 GS-1 area unless someone else moves in.

17 And also talking about fairness, and it's  
18 part of the reason why I filed the Supplemental  
19 Testimony. You know, the Division assumes that since  
20 November 1st, 2006 we are under the CET tariff or the  
21 GS-1 class. When you look at these individuals in  
22 the GSS area and the EAC areas, particularly the EAC  
23 areas, every one of those areas pay more just in the  
24 fixed monthly charges than what's allowed in the CET  
25 tariff without even burning a single cubic foot of  
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1 gas. They're above that rate. And so, in effect,  
2 every one of these GSS/EAC customers, everything else  
3 being equal, are subsidizing the rest of the GS-1  
4 class, because everything else being equal, they're  
5 going to force everybody else's rates to go down when  
6 that true-up mechanism comes into place.

7 COMMISSIONER BOYER: Thank you.

8 MR. GIMBLE: I just have one additional  
9 comment, and that's with respect to, for example, the  
10 first wave of GSS communities. And really, it  
11 applies to the EAC communities as well.

12 In terms of the development of the rates,  
13 it was based upon cost estimates of the minimum size  
14 system necessary to meet that demand, but what the  
15 Company actually builds is larger because they have  
16 to anticipate load growth. And so all of the GS-1  
17 customers picked up that share.

18 COMMISSIONER BOYER: Thank you.

19 Let me ask that same kind of question in a  
20 different way. I did my taxes last night and I found  
21 I owed the Feds a little bit and the State owed me a  
22 little bit of money and so I was losing \$61. And I  
23 told my colleague, Economist Harvey, about that and  
24 he said, "That's noise."

25 And so my question is, is 19 cents, is  
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1 that de minimis? I mean, are we spending a lot of  
2 time and effort on something that's not statistically  
3 significant?

4 MR. ROBINSON: Yes. In our opinion, the  
5 19 cents is de minimis. It's within what the  
6 Commission in its Orders talks about minimal cross  
7 subsidization.

8 COMMISSIONER BOYER: Has anyone run the  
9 numbers to see if that would have fit within the  
10 guidelines in House Bill 180 back in '98?

11 MR. ROBINSON: It's well within the  
12 guidelines of House Bill 180.

13 COMMISSIONER BOYER: Which was .05 percent  
14 or something like that; is that right? It doesn't  
15 matter, it was a small number.

16 That's all the questions I have. Thank  
17 you.

18 MR. BALL: Commissioner, is it 19 cents or  
19 is it the number that Mr. Barrow quoted?

20 MR. BARROW: The 19 cents was at the time  
21 we originally were discussing this issue in the Task  
22 Force, which was before the CET tariff went into  
23 effect. With the effect of the CET tariff, Questar  
24 Gas reduced the DNG rates of the GSS customers by  
25 another \$1.1 million and, therefore, today it would  
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1 be, you know, assuming that the GS-1 customers picked  
2 up the roll-in. It would be a little more just  
3 because of the effect of that extra \$1.1 million  
4 reduction that went into effect at the time the CET  
5 tariff was put in place.

6 MR. BALL: Can you remember the number you  
7 gave in your testimony, Mr. Barrow?

8 MR. BARROW: Which number?

9 MR. BALL: Okay. Here we are. The 19  
10 cents was based on a \$2.24 per year increase. That's  
11 up to \$3.77, which is somewhat more than 50 percent  
12 more. So instead of 19 cents it's probably 30 cents  
13 or maybe a tad more?

14 MR. BARROW: Yeah, if you use percentages  
15 on those amounts. And like I say, the reason for  
16 that difference was because going off the rates that  
17 are currently in effect in the DNG tariff which were  
18 adjusted for another \$1.1 million credit, they're a  
19 little higher than what the Task Force was originally  
20 dealing with.

21 MR. BALL: Before we get too far away from  
22 it as well, Mr. Chairman, I wasn't quick to  
23 interrupt, but I think the very first question that  
24 Chairman Boyer asked --

25 COMMISSIONER BOYER: Commissioner Boyer,

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1 that would be.

2 MR. BALL: What did I say?

3 COMMISSIONER BOYER: Chairman.

4 MR. BALL: I do apologize. I promoted you  
5 before your time.

6 That Commissioner Boyer asked, I think Mr.  
7 Proctor's answer sent alarm bells jangling in the  
8 back of my head.

9 COMMISSIONER BOYER: I think this is my  
10 opportunity to question the witness. You're going to  
11 have an opportunity for additional redirect.

12 MR. BALL: I understand, but --

13 COMMISSIONER BOYER: Perhaps you can hold  
14 that question.

15 MR. BALL: I'm just concerned that you get  
16 accurate answers.

17 COMMISSIONER BOYER: I'm finished with my  
18 questions.

19 COMMISSIONER CAMPBELL: You're finished?  
20 I'll go ahead and ask my questions, then. Mr.  
21 Gimble, do you have a point to make?

22 MR. GIMBLE: Yeah. I have one more point  
23 to make with respect to Commissioner Boyer's last  
24 question. The 19 cents sounds small, de minimis.  
25 But we, as a Committee, understood the Company's

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1 application, is they wanted to roll into GS-1 I-4 and  
2 IT rates, the uncollected revenues from the GSS and  
3 the EAC customers it looked like for an indefinite  
4 period. We've been able to clear that up through  
5 discovery, that it would only run out through the  
6 scheduled expiration dates associated with the GSS  
7 surcharge and the surcharges assessed on the AEC  
8 communities.

9 COMMISSIONER CAMPBELL: I want to explore  
10 that, but let me ask. First of all I want to ask a  
11 few questions related to what Commissioner Boyer was  
12 asking. And that is, as far as the Panguitch case is  
13 concerned, it's my understanding that in '97 the  
14 Commission in a similar case -- now, I realize that  
15 Panguitch was not existing service, but the  
16 Commission issued an Order based on our prohibition  
17 against preferences and the Commission at that time  
18 based its decision on the amount of subsidy that an  
19 individual in a community was receiving.

20 So that, in my understanding, is where  
21 this Commission, the last time we were faced with  
22 something like this, this Commission ruled that we  
23 did not have the authority or that the amount of  
24 subsidy going to certain individuals exceeded the  
25 level as it related to preferences. So I'm not

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1 looking at 19 cents, I'm not looking at 30 cents. I  
2 want to go back to our last precedent.

3 And my first question is, are we changing  
4 that precedent through this case? Has any party in  
5 this case looked at the amount of -- and it comes to  
6 another set of questions where I'm going to ask  
7 questions about a distinction between GSS and the  
8 EAC, but let me stick to the EAC because in my  
9 understanding, GSS, there's a lot of unknown data,  
10 but EAC we have data.

11 So the question is, were we to accept this  
12 application, how much subsidy are individual  
13 customers in those areas getting and how does that  
14 relate to the level of subsidy that the Commission in  
15 the Panguitch case in '97 said that it violated our  
16 statute on preferences?

17 MR. PROCTOR: If I could attempt that. In  
18 order to move into Panguitch, Mountain Fuel, then  
19 Mountain Fuel Supply, represented that to recover its  
20 costs as it had in other communities it would be  
21 charging a Panguitch customer between \$55 and \$75 a  
22 month as an EAC charge.

23 They knew that if they charged that much  
24 they would be priced above propane. And so they  
25 proposed to reduce the monthly service charge to \$30

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1 so that the price to the Panguitch customer of  
2 natural gas would be below or competitive with  
3 propane.

4           The Commission found that if they did that  
5 the overall subsidy for a Panguitch customer would be  
6 \$4,153 when you took into account the cost of  
7 actually moving the gas facilities to Panguitch, that  
8 Panguitch customers would pay in rates and fees a  
9 \$1.5 million when it cost \$3.4 million to expand the  
10 service. They found that to be an unreasonable  
11 preference or an unreasonable subsidy.

12           COMMISSIONER CAMPBELL: Okay. So if the  
13 Commission found -- and your lower end was \$55? Now,  
14 Panguitch is paying an EAC of around \$30, right? So  
15 in my mind the Commission found that \$25 as it  
16 relates -- I mean, is it fair to say, and I haven't  
17 done the math, but isn't the difference then what the  
18 subsidy was? If the subsidy was \$25, and the \$55,  
19 that the Commission found that unreasonable, an  
20 unreasonable subsidy at the time, and here the  
21 request is to eliminate a \$30 subsidy, I guess I'm  
22 trying to say, this Commission has a precedent in a  
23 case as far as at what point are we granting  
24 preferences to certain customers.

25           And just back of the envelope math, I

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1 can't quite tell if this case is distinguishable from  
2 what we decided in the Panguitch case. And clearly  
3 we can change what we did in the Panguitch case if  
4 there's evidence to do that. I don't know if the  
5 parties have provided us that, to overturn what was  
6 done previously, but is my math wrong?

7 MR. PROCTOR: No. Your math is not wrong,  
8 but I believe that the ultimate conclusion, that the  
9 rejection of that case, of the Panguitch proposal in  
10 the first instance was a recognition that this level,  
11 specific level of subsidy is not to be -- is not  
12 acceptable under this Commission's rules is not  
13 entirely on the point.

14 There were 460 Panguitch customers that it  
15 was estimated would receive gas service. In order to  
16 get those 460 customers gas service, everybody else  
17 had has to pay \$4,153 times 460. They actually  
18 received -- the GS-1 customers paid more than the  
19 Panguitch customer would ever pay in order to acquire  
20 the gas service and it was done on the basis of the  
21 total cost to build the facilities to get to the  
22 service.

23 The \$30 per month charge, and this is the  
24 other element of that decision, charging Panguitch  
25 \$30 a month because the true cost of \$55 to \$75 would

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1 make it noncompetitive with propane had the effect of  
2 this Commission authorizing a rate that included some  
3 subsidy in order to permit Questar to artificially  
4 price its gas and compete with another source of  
5 energy, and the Commission found that that was what  
6 was not permitted by the utility law in the State of  
7 Utah.

8 Now, I don't pretend to be perfect in  
9 everything that I've ever said to you or my  
10 assessment of court opinions or your opinions, but  
11 that is very clearly stated in that particular case.

12 COMMISSIONER CAMPBELL: And so you believe  
13 that case turned on the competitive issue with  
14 propane and not the preference provision of our  
15 statute as it related to an amount of subsidy?

16 MR. PROCTOR: I think that the competitive  
17 issue dealing with artificially established prices,  
18 not cost of service colored the balance of that  
19 decision. Interestingly, the legislature crafted  
20 something that they believed created a reasonable  
21 subsidy or reasonable preference, what they believed  
22 to be, to which you're bound, of course, and the fact  
23 that it may have given Mountain Fuel Supply a leg up  
24 in competing with propane, I don't know was  
25 necessarily an issue before the legislature. I have

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1 not examined the legislative history of that  
2 particular case.

3 COMMISSIONER CAMPBELL: All right. Thank  
4 you.

5 Ms. Bell.

6 MS. BELL: I would just like to add that I  
7 join in what Mr. Proctor said with the interpretation  
8 of the Panguitch Order. But additionally I would  
9 point to the preference statute, 54-3-8. I don't  
10 think that the preference statute necessarily  
11 provides any kind of limit for this Commission.  
12 There's language there just as there is in 54-3-1  
13 that allows you to weigh all of these factors. If we  
14 look at 54-3-8, except as provided in 8(b), a utility  
15 may not, and I was going straight to (b), "establish  
16 or maintain any unreasonable difference as to rates,  
17 charges, service or facilities in any other respect,  
18 either as between localities or between classes of  
19 service.

20 And I think we could show you and have  
21 shown you that this is not unreasonable now to have  
22 these rates spread across to other customers. We  
23 also need to talk about the proposal before you and  
24 what may be before you on the 28th additionally. But  
25 I would also point to language in response to

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1 Commissioner Boyer's question in 54-3-1. "The scope  
2 of definition of just and reasonable may include, but  
3 shall not be limited to, the cost of providing  
4 service to each category of customer, economic impact  
5 of charges on each category of customer, and on the  
6 well-being of the State of Utah."

7 And I think that there's some language  
8 there as well that would allow you to weigh those  
9 kinds of factors in as well. I don't find that  
10 there's anything in the preference statute that would  
11 limit you in that regard.

12 COMMISSIONER CAMPBELL: And our prior  
13 interpretation, perhaps, of the preference statute?

14 MS. BELL: The prior interpretation being  
15 the Panguitch Order, I would allow that can be  
16 distinguished along the lines of what Mr. Proctor had  
17 just provided.

18 COMMISSIONER CAMPBELL: Mr. Ginsberg?

19 MR. GINSBERG: I was just going to say, I  
20 agree also that --

21 COMMISSIONER CAMPBELL: Is your microphone  
22 on?

23 MR. GINSBERG: I'm sorry. The standard  
24 here is a reasonable standard and not a pure  
25 preference standard, as I think she pointed out in  
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1 the statute.

2 COMMISSIONER CAMPBELL: Let me ask if  
3 there is a distinction between EAC and GSS as it  
4 relates to this case?

5 Mr. Gimble, on page 8 of your testimony,  
6 you say that these rates -- and it seems like every  
7 party has lumped them together, and I see some  
8 differences. And I want to understand if they're  
9 just differences or if they're differences with a  
10 distinction. So that's what I want to explore here  
11 briefly.

12 You lump them together. You say that GSS  
13 -- and actually I'm asking Mr. Robinson and Mr.  
14 Barrow the same question. Does it make a difference  
15 that we have numbers on EAC so that we absolutely  
16 know what the level of subsidy is, whereas, on the  
17 GSS we have no idea? I mean, for all we know, GSS  
18 are subsidizing GS-1. We don't know what the math is  
19 because there aren't numbers.

20 Does that difference make a distinction on  
21 how you categorize -- why did you categorize it as  
22 unjust or maybe reasonable? I assumed one of the  
23 reasons was we don't have numbers so we don't know  
24 and maybe it appears unreasonable. But why would the  
25 EAC numbers or why would the EAC rates which we had

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1 considered just and reasonable last go-around, why  
2 have they become unreasonable now? The EAC, I  
3 understand you have assessed there's some fuzziness  
4 without knowing what the numbers are.

5 MR. GIMBLE: I think that the Committee's  
6 primary concern was related to the GSS. This had  
7 worked for the GSS figures, you know, the \$1.2  
8 million out of the 1.7. That's what we were focused  
9 on in our additional discovery and addressed that in  
10 our Rebuttal Testimony in terms of what we were able  
11 to conclude in the short time period based on limited  
12 information and really a limited analysis.

13 COMMISSIONER CAMPBELL: Mr. Robinson, in  
14 your testimony I think your explanation is is what  
15 they've both paid. You do a calculation of what  
16 they've paid. Is there any other basis that you  
17 used?

18 MR. ROBINSON: Well, I think that the --  
19 regardless of the mechanism that we have adopted,  
20 whether it's the GSS rates or the EAC charges, the  
21 point was, the purpose was the same, and that was to  
22 have these customers in these expansion areas to pay  
23 a higher rate for some period of time. Now, in the  
24 EAC areas it was more specified that the Company  
25 would collect on a present value basis a certain

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1 amount of revenue and then the rates would go away.

2           However, the point is the same in that  
3 these customers in both of these areas have paid  
4 premium rates. And even though the EAC customers  
5 have been on fewer months, fewer years than the GSS  
6 customers, the EAC customers have paid more in  
7 premium rates than the GSS customers have or that the  
8 GSA customers going to the Uintah Basin had.

9           I will go back to the point that even  
10 though we specified in those orders that these  
11 customers would pay for -- until the Company had  
12 received a specified present value amount of revenue,  
13 there was no contractual obligations between the  
14 communities or between the customers in those  
15 communities with either the Commission or the  
16 Company. And their only obligation is to pay the  
17 rates that the Commission deems just and reasonable.

18           COMMISSIONER CAMPBELL: You anticipated  
19 one of my questions and, that is, what is the  
20 agreement, because we understand how regulation  
21 works. I was unaware of who signed off and what  
22 agreements we're talking about when we talk about  
23 agreements made by these communities.

24           MR. ROBINSON: Yeah, there are no  
25 agreements made by these communities. It was a rate  
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1 determination by the Commission that established  
2 these rates and charges.

3 COMMISSIONER CAMPBELL: Let me ask another  
4 question about differences. You used the example of  
5 Utah Gas, I believe in your testimony, and I don't  
6 know if anyone else did. But as I looked at that  
7 case, in that case you filed a late filed exhibit  
8 that showed that the rate base per customer for Utah  
9 Gas was actually lower than Questar Gas's rate base  
10 per customer.

11 So in reality, that really isn't an  
12 example of where this Commission has done this sort  
13 of thing, is it?

14 MR. ROBINSON: Well, when the Company  
15 bought Utah Gas, Utah Gas was paying a higher rate  
16 than the GS-1 customers for Questar Gas. And it was  
17 determined at that period of time, because of the  
18 acquisition of that company, that those customers  
19 would pay the higher rates just as the GSS customers  
20 were paying for a period of time, for I think it was  
21 determined for a period of six years or until we had  
22 a general rate case.

23 COMMISSIONER CAMPBELL: But they were  
24 paying higher rates because their O&M costs were much  
25 higher than Questar. Yet I always assumed that was

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1 part of the rationale for acquiring Utah Gas, it was  
2 that it was scale, you could perhaps lower their cost  
3 structure as it relates to operating and maintenance.

4 I guess I understand the example. I  
5 struggle with the similarity insofar as their actual  
6 rate base was actually lower on a per customer basis  
7 than what Questar Gas was when they were merged in.  
8 But your point is, when you bring that illustration  
9 forward is just the rates, they had higher rates?

10 MR. ROBINSON: They were paying higher  
11 rates, they were required by the Commission to pay  
12 higher rates, just as the GSS customers were for a  
13 period of time, just as the GSS customers, or until  
14 there was a general rate case. And the rate case  
15 intervened in about two years. And so about four  
16 years of the obligation that the Commission had  
17 deemed at the original point of time was assumed by  
18 all customers, all GS-1 customers.

19 COMMISSIONER CAMPBELL: Just one final  
20 question. It has to do with the \$1.7 million and how  
21 it was collected through revenue requirement and not  
22 as an offset to rate base because I still don't quite  
23 understand. It seems like as I read the testimony  
24 all the parties understand, but I don't understand  
25 based on the discussion that took place in the

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1 testimony.

2 If nothing were to be done in this case  
3 and the GSS rate came off in 2013, let's assume, and  
4 that \$1.2 million -- and what I did pick up in the  
5 testimony is you're not going to collect a windfall,  
6 so in the 10-year you would drop that rate. However,  
7 the way you collect it now is part of your total  
8 revenue requirement. Everything else being equal,  
9 what does the Company do?

10 MR. ROBINSON: At the end of -- in 2013?

11 COMMISSIONER CAMPBELL: Right.

12 MR. ROBINSON: Well, the revenues of the  
13 Company would go down at that point in time and --

14 COMMISSIONER CAMPBELL: And you would file  
15 for a rate case if you wanted to earn your authorized  
16 return and rates would be raised \$1.2 million. I  
17 don't understand this whole concept of the windfall.  
18 With the way this has been set up and the way revenue  
19 requirement works, no matter when they come off  
20 you're going to be back here to get your full revenue  
21 requirement.

22 MR. ROBINSON: That's exactly right.

23 COMMISSIONER CAMPBELL: So help me with  
24 the concept of windfall.

25 MR. GIMBLE: I would say it depends on  
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1       what other expense, revenue and rate base items are  
2       changing at that time as well.

3                   COMMISSIONER CAMPBELL: I know, but --

4                   MR. GIMBLE: I mean, the same thing  
5       happened when the first wave of GSS rates went off.

6                   COMMISSIONER CAMPBELL: Well, let's ask  
7       that question. What did you do when the first rates  
8       went off?

9                   MR. ROBINSON: Well, we had a rate case in  
10      -- the rates in Cedar City and St. George dropped  
11      off, I believe, in '98, '97-'98.

12                  MR. GIMBLE: It was the summer of '97, I  
13      believe, something like that.

14                  MR. ROBINSON: We had a rate case in 1989,  
15      I believe.

16                  MS. BELL: '98.

17                  MR. GIMBLE: I can try to answer that.

18                  MR. ROBINSON: I was saying the rates  
19      dropped off in '97-'98 and we had a rate case in '99,  
20      but then it picked up that revenue we had lost.

21                  COMMISSIONER CAMPBELL: I guess my  
22      question is, is that whenever these rates go away,  
23      everything else being held constant, they've got to  
24      go back up for everybody else to meet the revenue  
25      requirement the way that the mechanics work? Isn't

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1 that right?

2 MR. ROBINSON: That's right.

3 MR. GIMBLE: Everything else held  
4 constant. But as you well know, things are changing.  
5 Every time you look at a utility the picture has  
6 changed. The pieces that make up the overall revenue  
7 requirement typically change, especially right now.  
8 We're five years between the last rate case and today  
9 for Questar.

10 MR. BALL: Chairman, you shouldn't assume  
11 that rate base stays the same.

12 COMMISSIONER CAMPBELL: No, I understand  
13 everything changes. I'm just -- I'm not going to sit  
14 here and discuss it. Let's go to redirect.

15 MS. BELL: I don't have any.

16 COMMISSIONER CAMPBELL: Any redirect?

17 MR. GINSBERG: No.

18 COMMISSIONER CAMPBELL: Any redirect?

19 MR. PROCTOR: No thank you.

20 COMMISSIONER CAMPBELL: Any final  
21 questions?

22 MR. BALL: Would it be possible for the  
23 court reporter to go back through to Mr. Proctor's  
24 answer to Commissioner Boyer's first question and to  
25 read that back to us?

26

1                   COMMISSIONER CAMPBELL: Are you able to  
2 find that? Let's go off the record a minute.

3                   (Record read back as follows:

4                                 "COMMISSIONER BOYER: Do we have  
5                                 the authority and jurisdiction to  
6                                 become involved in issues of this  
7                                 nature?")

8                   THE REPORTER: Was that the question?

9                   MR. BALL: And Mr. Proctor's answer to  
10 that?

11                   (Record read back as follows:

12                                 "MR. PROCTOR: The rate  
13                                 methodology that resulted in the GSS  
14                                 rates both for the first phase, the  
15                                 10-year payback in St. George and Iron  
16                                 County, and then later for what is now  
17                                 the GSS customer over a 20-year period  
18                                 of time was a methodology based upon  
19                                 estimates and projected growths and  
20                                 projected revenues based upon that  
21                                 growth. And it's proven to be -- in  
22                                 the first 10 years it proved to be  
23                                 inaccurate because what was 10 years  
24                                 was now 20 years because of the  
25                                 increased cost of expansion.

26

1           "And so at this point in time --  
2           also, when you look at things such as  
3           the census, 1990 versus 2000 in Beaver  
4           County, you'll see that the population  
5           growth has been minimal and, of course,  
6           that's driving the number of customers.

7           "So at this point in time the GSS  
8           customers have been paying for 15 years  
9           and a rate that is much higher in the  
10          DNG portion than every other GS-1  
11          customer. So the rate methodology is  
12          no longer working appropriately. And  
13          then you come back to that paragraph 7  
14          of your '91 Order saying if those  
15          projections are not correct, then the  
16          Commission recognizes that they're  
17          going to have to change and there may  
18          be cross subsidization, but we believe  
19          it's to be minimal.

20          "So I think that the Commission  
21          has the authority. Statutorily, of  
22          course, you can modify and change any  
23          Order that you may issue. And that  
24          would certainly be applicable here.  
25          But if you go back to the orders that  
26

1                   you've issued over the years, both AEC  
2                   and GSS, you'll find reference to this  
3                   is based on an estimate and we believe  
4                   it will work, but it may not."

5                   MR. BALL: Thank you very much.

6                   This is kind of odd because I guess I have  
7                   to ask questions of Mr. Proctor or can I just comment  
8                   on what Mr. Proctor said?

9                   COMMISSIONER CAMPBELL: Do you want it as  
10                  a question or as a comment?

11                  MR. PROCTOR: Well, I think that I'm not a  
12                  witness.

13                  COMMISSIONER CAMPBELL: I understand that.

14                  MR. PROCTOR: It was argument, and this is  
15                  argument, not further cross-examination.

16                  COMMISSIONER CAMPBELL: All right. We can  
17                  let him make his argument.

18                  MR. PROCTOR: True.

19                  COMMISSIONER CAMPBELL: Go ahead and make  
20                  your argument.

21                  MR. GINSBERG: Are we back on the record?

22                  COMMISSIONER CAMPBELL: We are back on the  
23                  record.

24                  MR. BALL: And can I thank the Court  
25                  Reporter for doing that so efficiently. I knew that  
26

1 I was asking a lot of you and I appreciate you doing  
2 it so well. Thank you.

3 It's very easy for this to become a  
4 terrible muddle; there are so many different  
5 components to it. On the one hand, there's the  
6 distinction between the 10-year GSS rate and the  
7 20-year GSS rate, and then the distinction would be  
8 between those and the EAC rate.

9 On the other hand there's the issue of are  
10 the existing rates just and reasonable to the  
11 existing customers, all of them, whether they're in  
12 the GSS and EAC areas or elsewhere in Questar's  
13 service territory, and there's the question of  
14 economic development.

15 And I would like to -- I mean, I want to  
16 associate myself with what has been previously said,  
17 I think by Commissioner Boyer, about I think we're  
18 all in favor of economic development. The harsh  
19 reality, according to the Deseret News report, is  
20 that the economic development arm of the State is  
21 giving that paper company, GT, I think it was,  
22 slightly under \$2 million over 10 years to create  
23 140 jobs in Washington County.

24 This is asking for \$1.7 million a year for  
25 however many years it is, but quite a few, and the

26



1 concern is that the paper company was offering Beaver  
2 County 40 or 50 jobs. So I'm not sure that this  
3 forum, this administrative body or any of us  
4 appearing before it, or most of us appearing before  
5 it are particularly well-equipped to argue whether or  
6 not there is a meaningful economic development thing  
7 going on here.

8           With regard to the just and reasonable  
9 thing, we come back to the three different kinds of  
10 rates and what they were set up for. And of course  
11 we've already registered that GS -- the 10-year GSS  
12 was not the first, there were other things going on  
13 in Uintah County and perhaps elsewhere years before  
14 that.

15           So we have got -- it's not just a simple  
16 issue of old customers subsidizing new customers.  
17 There are old customers who were not subsidized to  
18 the extent that this application is asking the  
19 Commission to have these new -- these particular new  
20 customers subsidized to. In fact, it's asking those  
21 old previously subsidized customers to subsidize  
22 these newer customers who we've established are  
23 already being somewhat subsidized, although nobody  
24 seems able to put a number on it.

25           Chairman, I think you came closest to it

26

1 with your numbers from the Panguitch case. GSS-10  
2 and GSS-20 were not essentially different from one  
3 another except in their duration. What we have heard  
4 is that estimates were made in both cases of the  
5 excess investment costs of going into relatively --  
6 into areas relatively distant from previously  
7 existing infrastructure over and above the investment  
8 costs of extending within an existing service  
9 territory, and estimates were made of how long these  
10 communities would need to pay in order to fully  
11 compensate Questar for that.

12 The process of getting to the Commission  
13 Order, which followed an application from the  
14 utility, in every case followed negotiations and  
15 discussions which included the communities themselves  
16 and Questar and the regulatory agencies, to that  
17 extent there was agreement. So these may not be  
18 contracts in the normally understood sense of a  
19 document, signed sealed and delivered. Nonetheless,  
20 there was a measure of agreement.

21 Everybody undertook some risks. The folks  
22 in the communities who chose to take gas service took  
23 a risk. Their risk was that they were going to be  
24 paying all of this extra money for a period, a  
25 defined period of time, talking about the GSS now, a  
26

1 defined -- whether it's 10 or 20, for a defined  
2 period of time.

3           The Company took a risk that it might or  
4 might not break even on the deal, and the other  
5 consumers, the other ratepayers of Questar took a  
6 risk. Their risk was that they were going to be  
7 subsidizing the newcomers to the system and they  
8 didn't know how much and they didn't know whether there  
9 was going to be a comeback or not.

10           GSS-10 for ten years paid their dues.  
11 They might not have liked it, but as far as I know,  
12 the Commission didn't hear a complaint from them.  
13 GSS-20 has run for, I don't know the exact period,  
14 allow me some latitude, let's say 14 years, and  
15 people there are now not happy with their 20-year  
16 deal and they want out of it. What they are asking  
17 -- Questar has made it quite plain that they're  
18 indifferent. Their risk is not changing. Their risk  
19 is, quite simply, you know, their revenue stream  
20 according to this -- if this application is approved  
21 will remain the same by one means or another.

22           So from the perspective of existing  
23 customers of Questar Gas, this case is all about --  
24 I'm talking just about GSS for just a moment -- this  
25 case is all about shifting risk, six years' risk more  
26

1 or less, from one group of customers, I think the  
2 number was 8,600, to another group of customers,  
3 825,000. I object to that risk being shifted onto my  
4 shoulders.

5 I perfectly understand why people in those  
6 areas wanted natural gas. Whether it was to replace  
7 coal, as Mr. McCandless and I discussed, or whether  
8 it was to replace propane. Shortly after Panguitch  
9 came on Questar's system I made a point of driving  
10 through Panguitch. I wanted to look -- I'm an old  
11 outside plant man. I spent a lot of my 20 years with  
12 British Telecom digging poles and erecting poles. I  
13 wanted to see what the ground looked like after  
14 Questar had laid its pipes.

15 I have to say I was very pleased with what  
16 it looked like. I think they had done a very good  
17 workmanlike job of reinstating. But on the northern  
18 outskirts of Panguitch I saw a propane dealer's yard,  
19 depot, if you like. In that yard were piles of rusty  
20 propane tanks. This transition did not happen  
21 without economic disadvantage certainly to propane  
22 dealers around the State. And we've heard Mr.  
23 McCandless talking about the coal dealers that are  
24 gone now.

25 MS. BELL: Excuse me, Roger, I'm sorry to  
26

1 interrupt. This appears to me to be testimony. I  
2 would really like to know if it is because Mr. Ball  
3 was the Executive Director of the Committee for many  
4 of these years when these applications were filed  
5 before this Commission and I would love a chance to  
6 examine him and ask him questions about that. If  
7 this is testimony, can we please have him sworn in?

8 COMMISSIONER CAMPBELL: I don't see it as  
9 testimony, I see it as argument on the question  
10 responding -- responding to the same question that  
11 Mr. Proctor responded to, although I will ask you to  
12 narrow it back to the unjust and unreasonable on the  
13 basis of the question.

14 MR. BALL: I'm going there, Chairman.

15 So then we've got the EAC issue. And  
16 again, the folks in the EAC area went into this with  
17 their eyes open. They had alternatives, they still  
18 have alternatives. They simply want to ditch about  
19 half a million dollars worth of future costs onto the  
20 shoulders of other Questar ratepayers.

21 Now, the Committee has chosen, it appears,  
22 to head rapidly in the direction of settling this  
23 issue in a way that will lead to that shift of cost  
24 and risk. I find myself, therefore, as the only  
25 person in this forum who is in a position to argue an

26

1 alternative position, and I want you to know that  
2 there is an alternative position and I hold to it  
3 very, very strongly.

4           It's not fair to the great bulk of GS-1  
5 customers, people like me, to shift these costs  
6 however small they may appear to be, onto our  
7 shoulders. We should not have to bear them any more  
8 than we should have to bear the costs, for example,  
9 of someone lately arrived who has a large 30-year  
10 mortgage if we have been here for 30 or more years  
11 and have paid off our mortgages. These become in the  
12 instance of consumers personal commitments.

13           Now, it's not as though the person who  
14 just arrived and has a high 30-year mortgage, his  
15 alternative is to move into a tent. It isn't like  
16 that. They aren't -- we are not talking about these  
17 folks having to leave their homes. But if it's so  
18 burdensome then there are economic alternative fuels  
19 that they can use for the same purpose that they use  
20 natural gas today. I'm not unsympathetic to them,  
21 but others are eloquently arguing their case. I'm  
22 arguing mine and I believe the case of 825,000  
23 others.

24           Thank you.

25           COMMISSIONER CAMPBELL: Thank you.

26

1                   MR. BARROW: Commissioner Boyer -- or  
2 Chairman Campbell?

3                   COMMISSIONER CAMPBELL: Yes?

4                   MR. BARROW: I'm going back to  
5 Commissioner Boyer's question. I think everybody is  
6 forgetting what happened last October when the  
7 Commission authorized the CET tariff become effective  
8 November 1st, 2006. That tariff is effective for the  
9 GS-1, GSS class, and also all those customers that  
10 are currently paying the EAC charge. That tariff  
11 limits the amount of revenue that Questar Gas can  
12 collect on an average basis per customer to \$256 a  
13 year. That's the limit. Anything over that has to  
14 be refunded back to those customers.

15                   The GSS customers and the EAC customers  
16 all pay over that limit, well over that limit. So  
17 going back to Mr. Ball's argument about  
18 subsidization, they are in effect subsidizing the  
19 GS-1 class as of November 1, 2006. I don't think Mr.  
20 Ball has a concept of what that CET tariff actually  
21 does with respect to the way Questar Gas is allowed  
22 to collect its DNG revenue. Now there is a limit on  
23 how much DNG revenue it can collect and if it goes  
24 over that amount, those amounts get refunded back to  
25 all customers, including the GSS/EAC customers.

26

1                   COMMISSIONER CAMPBELL: Mr. Barrow, let me  
2 ask this. Isn't it true, though, what we're talking  
3 about is reducing revenues by \$1.7 million, we're not  
4 talking about going over revenues? And if they're  
5 reduced by \$1.7 million, everything else being  
6 constant, they would have to be increased back by 1.7  
7 to back up to the cap. I mean, isn't that how it  
8 works?

9                   MR. BARROW: Well, that's assuming that  
10 everybody else is under the \$256 limit. To the  
11 extent that the total revenues collected by Questar  
12 Gas exceed that per customer, everybody's rates are  
13 going to get reduced.

14                   COMMISSIONER CAMPBELL: No, I understand  
15 that.

16                   MR. BARROW: I mean, if you're assuming  
17 that everybody else is under the \$256, yes, those  
18 revenues will have to be spread above. But if you  
19 assume that everybody else is at that limit of \$256,  
20 the GSS customers and the EAC customers will force  
21 those rates for everybody else to go down because  
22 they're above where everybody else is at, you've got  
23 to go back down to get back in line. I mean, it's  
24 not going to be a lot. But the theory, if everybody  
25 else hits \$256 a year, the GSS and EAC customers will  
26



1 force everybody else's rates to go down.

2 MR. BALL: Chairman, Mr. Barrow, harking  
3 back to a previous answer that you gave me, we aren't  
4 paying \$256, are we, those are us who are GS-1  
5 customers and not GSS or EAC?

6 MR. BARROW: There is a limit on the  
7 amount of DNG revenue that Questar Gas is allowed to  
8 collect from GS-1 customers per year. That's \$256 a  
9 year. That's the limit.

10 MR. BALL: Didn't you previously state a  
11 lower number which is what we're currently paying?

12 MR. BARROW: Well, the actual number was  
13 \$255.53. I rounded it up to \$256.

14 MR. BALL: A lower number than that,  
15 though? I thought I recalled you quoting a lower  
16 number earlier, which is what we're currently paying.  
17 We aren't currently paying \$255 or \$256, are we?

18 MR. BARROW: Well, that's the limit. I  
19 don't know what everybody is actually currently  
20 paying. We haven't seen the results.

21 COMMISSIONER CAMPBELL: I don't want to  
22 get into a discussion of how the CET works as it  
23 relates to this.

24 MR. BALL: Well, may I ask Mr. Barrow one  
25 more question? Referring you to page 5 of your

26

1 Surrebuttal Testimony on lines 9 and 10 -- well, 8  
2 through 10, you said, "The link between this docket  
3 and what happened with the creation of the CET pilot  
4 program which became effective November the 1st,  
5 2006, was not really processed until after the filing  
6 of Direct Testimony in this docket."

7 And Direct Testimony in this docket was,  
8 for the most part, filed on or around the 18th of  
9 January, 2007.

10 So my question is, isn't it a fact that  
11 you and your colleagues at the Division didn't really  
12 understand what you were doing in the CET docket  
13 until after Direct Testimony --

14 COMMISSIONER CAMPBELL: No, no.

15 MR. BARROW: No, that is not the issue.  
16 The issue is --

17 COMMISSIONER CAMPBELL: Just a minute.  
18 Just a minute. Can you rephrase your question,  
19 please?

20 MR. BALL: How? Why? What's wrong with  
21 it?

22 COMMISSIONER CAMPBELL: Just to be -- Mr.  
23 Proctor, do you want to tell him what's wrong with  
24 his question?

25 MR. BALL: Do you want me to be less  
26

1 combative?

2 MR. PROCTOR: Well, I think it was a  
3 narrative. It assumes facts not in evidence with  
4 respect to whatever deliberations occurred in front  
5 of the Division. There's also a responsibility that  
6 any person conducting cross-examination may have to  
7 not ask questions for the purpose of embarrassing or  
8 harassing a particular witness. And I think this has  
9 crossed that line and I would object to it.

10 MR. BALL: Well, my point here, you know,  
11 and I apologize if I've crossed some line that to me  
12 is invisible. Every attorney, and most of the other  
13 people in this room, are well aware that I'm not a  
14 law school graduate, I'm not a member of the Bar.  
15 I'm here as a private citizen doing my thing as a  
16 private citizen. And so I do hope for some latitude.

17 But my point here is quite simple. Mr.  
18 Barrow has repeatedly talked about this business with  
19 the CET. He's testified that the issue was not  
20 processed until after the filing of Direct Testimony.  
21 In other words, mid January of this year. And so it  
22 seems self-evident that whoever at the Division was  
23 participating in the CET docket in which the Order --  
24 well, in which the tariff became effective on  
25 November the 1st last year, simply had not gotten

26

1 their minds wrapped around this issue. I'm just  
2 looking for confirmation of that. How is reality  
3 different from that self-evident situation?

4 MR. BARROW: Well, on page 14 of my Direct  
5 Testimony starting with line 12, I talk about the CET  
6 tariff and the fact that there is subsidization from  
7 the GSS and EAC rate classes to the GS-1 class. In  
8 our Direct Testimony we were addressing the  
9 application of Questar Gas as was filed. That  
10 application was filed before the CET tariff became  
11 effective.

12 MR. BALL: Sorry. What page in your  
13 Direct, Mr. Barrow?

14 MR. BARROW: Page 14.

15 MR. BALL: Okay. And which lines, please?

16 MR. BARROW: Well, with line 11. "What is  
17 the implication of this fact? The CET tariff  
18 assumes."

19 MR. BALL: Yes. In a previous answer that  
20 you gave me --

21 MR. PROCTOR: Excuse me, Mr. Chairman.

22 COMMISSIONER CAMPBELL: Mr. Ginsberg, it's  
23 your witness.

24 MR. GINSBERG: I think this is going sort  
25 of well beyond what the purposes of this Redirect

26

1 Testimony was intended to cover. The questions have  
2 been asked addressing specifically how this came up  
3 with respect to I think a question that came from the  
4 Commission. So I think the question has been asked  
5 and answered. There's nothing more to ask with  
6 respect to it.

7 COMMISSIONER CAMPBELL: Let's hear the  
8 question one last time and let me see if it's  
9 appropriate. I don't quite know what your question  
10 is.

11 MR. BALL: Am I not correct, Mr. Barrow,  
12 in recalling that in an earlier answer to one of my  
13 questions you indicated that this \$255.53 per  
14 customer cap under the CET is simply the product of a  
15 multi hundred of thousands or multi million dollar  
16 number divided by some number of customers? It's not  
17 an actual cap that's written down in Questar's tariff  
18 on a per customer basis, is it?

19 MR. BARROW: Yes. These amounts, if you  
20 take the amounts that it's limited to by month in  
21 Questar Gas's tariff, I don't have the tariff in  
22 front of me, but add up each of those monthly amounts  
23 you come to \$255.53. It's defined by month. And I  
24 never mentioned divide.

25 COMMISSIONER CAMPBELL: You know what,  
26

1 we're going to --

2 MR. BALL: Thank you, Chairman.

3 COMMISSIONER CAMPBELL: Thank you.

4 We're going to adjourn and reconvene at  
5 4:30. As you know, Mr. Ball, we did give you the  
6 option to, on the 28th, continue to ask questions  
7 that weren't answered today. So we will adjourn and  
8 reconvene at 4:30.

9 MR. BALL: Chairman, on a procedure note  
10 before you adjourn, if I may, does the Commission  
11 have in mind a schedule other than the Beaver hearing  
12 between now and the February 28th hearing for the  
13 filing of the stipulation, for the filing of prefiled  
14 written testimony in support of stipulation, for the  
15 filing of responsive testimony, anything of that  
16 nature?

17 COMMISSIONER CAMPBELL: We have no  
18 schedule.

19 MR. BALL: Thank you very much.

20 MS. BELL: Chairman Campbell, may I  
21 respond just somewhat?

22 COMMISSIONER CAMPBELL: Go ahead.

23 MS. BELL: I do believe that parties are  
24 here today and, as we had said earlier, we would like  
25 to have a settlement conference. Depending on the  
26

1 outcome of that conference and discussions, we may be  
2 filing a stipulation with the Commission sometime  
3 during next week prior to the hearings in Beaver.  
4 That would be the plan. And then on the 28th we can  
5 determine how to proceed depending on if that gets  
6 filed or not.

7 COMMISSIONER CAMPBELL: Do you want to  
8 identify, I guess you can do it off the record, what  
9 time you want to meet for your settlement  
10 discussions? Let's go off the record.

11 (The hearing was adjourned at  
12 12:50 p.m., with Public Witness  
13 Hearing to begin at 4:30 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 160, 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 14th day of February, 2007.

\_\_\_\_\_  
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