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BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the)
Application to Remove) Docket No.
GSS and EAC Rates) 06-057-T04
from Questar Gas Company's)
Tariff.)
_____)

March 27, 2007 - 9:30 a.m.

Location: Heber M. Wells Building
160 East 300 South, Room 403
Salt Lake City, Utah 84114

Reporter: Kathy Morgan, CSR, RPR
Notary Public in and for the State of Utah

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A P P E A R A N C E S

Members of the

Commission Present: RICHARD M. CAMPBELL, Chair
TED BOYER, Commissioner
RON ALLEN, Commissioner

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Committee of Consumer
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Representing
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Also present: Michael McCandless, Emery
County Economic Development
Rob Adams. Beaver County
Economic Development

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1 MARCH 27, 2007 - 9:32 A.M. - SALT LAKE CITY, UTAH

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P R O C E E D I N G S

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CHAIRMAN CAMPBELL: Let's go on the record
6 in Docket Number 06-057-T04, Application to Remove
7 GSS and EAC Rates from Questar Gas Company's Tariff.
8 Let's take appearances for the record, please.

9

MS. BELL: Colleen Bell and Gregory B.
10 Monson for Questar Gas Company.

11

MR. GINSBERG: Michael Ginsberg for the
12 Division of Public Utilities.

13

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

15

MR. BALL: Roger Ball on my own behalf.

16

MR. ADAMS: Rob Adams, Beaver County
17 Economic Development Corporation.

18

MR. McCANDLESS: Michael McCandless, Emery
19 County Economic Development.

20

CHAIRMAN CAMPBELL: All right, thank you.
21 Before we get into the stipulation in the last
22 hearing, or I guess we haven't held public hearings,
23 but in prior hearings we did not get on the record
24 Mr. Craig Davidson's testimony for Beaver Valley
25 Hospital. And I believe in the last hearing we

26

1 mentioned that we would do that, and then we heard
2 the stipulations, so we're going to do that first.

3 So, Mr. Davidson, can you hear me?

4 MR. DAVIDSON: Yes, I can.

5 CHAIRMAN CAMPBELL: Mr. Davidson, we're
6 going to ask you to speak up.

7 MR. DAVIDSON: Okay.

8 CHAIRMAN CAMPBELL: Thank you very much.

9 MR. DAVIDSON: Can you hear me now?

10 CHAIRMAN CAMPBELL: Yes.

11 MR. DAVIDSON: Thank you.

12 CHAIRMAN CAMPBELL: Would you please raise
13 your right arm to the square.

14 (The witness was sworn.)

15 Thank you. I believe we do not have an
16 attorney for them. Mr. Proctor, could you ask him
17 some questions, please.

18 MR. PROCTOR: I'd be glad to. Thank you,
19 Mr. Chairman.

20 Mr. Davidson, can you hear me?

21 MR. DAVIDSON: Barely, sir.

22 MR. PROCTOR: I'll speak up. Thank you.

23 DIRECT EXAMINATION

24 BY MR. PROCTOR:

25 Q. Mr. Davidson, would you state your name
26

1 and business address, please.

2 A. My name is Craig Val Davidson. I'm the
3 administrator for Beaver Valley Hospital and Milford
4 Memorial Hospital. My business address, physical
5 address is 1109 North 100 West in Beaver, Utah.

6 Q. Is it on behalf of those two hospitals
7 that you have appeared in this docket, sir?

8 A. Yes, sir.

9 Q. And on January the 15th of 2007, did you
10 file prefiled direct testimony on behalf of Beaver
11 Valley Hospital in this docket, consisting of four
12 pages?

13 A. The four pages, yes. Yes, sir.

14 Q. Mr. Davidson, do you have any corrections
15 or amendments to that testimony?

16 A. No.

17 Q. If the questions that are contained in
18 that testimony were asked of you today, would your
19 answers remain the same?

20 A. Yes.

21 MR. PROCTOR: On behalf of Mr. Davidson
22 and the persons that he represents, we would offer to
23 admit into evidence the prefiled testimony of Craig
24 Val Davidson.

25 CHAIRMAN CAMPBELL: Are there any

26

1 objections?

2 MS. BELL: No objections.

3 MR. PROCTOR: Mr. Chairman, I believe that
4 the testimony and the issues that the testimony went
5 to have already been addressed, so if the Commission
6 would like, I can ask him for a summary. Otherwise
7 we can go ahead.

8 CHAIRMAN CAMPBELL: I don't think we need
9 a summary.

10 MR. PROCTOR: Thank you, Mr. Davidson.

11 CHAIRMAN CAMPBELL: So any other
12 objections? (Pause) All right, it's admitted. Are
13 there any questions for Mr. Davidson on his
14 testimony? (Pause) All right, thank you.

15 Thank you, Mr. Davidson, you're free to
16 go.

17 MR. DAVIDSON: Okay.

18 CHAIRMAN CAMPBELL: Thank you.

19 MR. DAVIDSON: Thank you.

20 CHAIRMAN CAMPBELL: We have changed our
21 method. We now stream audio over the internet, so
22 those that want to participate in these hearings from
23 afar can, but they no longer have to dial in. We
24 don't have to put up with being put on hold and the
25 noise and issues that surround that. All right.

26

1 We are now prepared, I guess, to address
2 the stipulation. I believe it was the Commission's
3 intent to first allow the proponents of the
4 stipulation to present their testimony, and then we
5 would ask questions of those panelists, and then we
6 will allow the opponents of the stipulation to
7 present their testimony and so forth. So let's begin
8 with you, Ms. Bell.

9 MS. BELL: I would like to call Gary
10 Robinson.

11 CHAIRMAN CAMPBELL: Okay. I believe that
12 Mr. Robinson is already sworn in this docket.

13 MS. BELL: Yes.

14 CHAIRMAN CAMPBELL: You remain under oath.
15 Please proceed.

16 DIRECT EXAMINATION

17 BY MS. BELL:

18 Q. Please state your name for the record.

19 A. Gary Robinson.

20 Q. By whom are you employed?

21 A. Questar Gas Company.

22 Q. What are your responsibilities at Questar
23 Gas?

24 A. I'm the Supervisor of State Regulatory
25 Affairs.

26

1 Q. Are you the same Gary Robinson that filed
2 rebuttal testimony on February 2nd, 2007, marked as
3 QGC Exhibit R1.0, with three exhibits attached, and
4 presented testimony and responded to examination
5 during the hearing held on February 8th, 2007, and
6 filed stipulation testimony on March 14th, 2007,
7 consisting of 11 pages with four exhibits, and marked
8 as QGC Exhibit S1.0?

9 A. Yes.

10 Q. Do you have any corrections to your filed
11 stipulation testimony?

12 A. No.

13 Q. What was the purpose of your stipulation
14 testimony?

15 A. In my stipulation testimony I reviewed the
16 provisions of the stipulation. I reviewed why
17 Questar Gas believes the stipulation is in the public
18 interest and also provided a summary of the arguments
19 and the facts that have been presented in this case
20 that support the Commission's approval of the
21 stipulation.

22 Q. If I were to ask you the same questions
23 today that are in the stipulation testimony, would
24 your answers remain the same?

25 A. Yes.

26

1 MS. BELL: Mr. Chairman, the Company would
2 offer stipulation testimony of Mr. Robinson marked as
3 QGC Exhibit S1.0 along with its exhibits.

4 CHAIRMAN CAMPBELL: Are there any
5 objections? (Pause) Seeing none, it's admitted.

6 Q. (By Ms. Bell) Mr. Robinson, what is the
7 purpose of your testimony today?

8 A. Again, to review why the stipulation is in
9 the public interest, and to respond to at least one
10 of the points that Mr. Ball presented in his
11 testimony on the stipulation.

12 Q. Would you please proceed with summarizing
13 the stipulation for us today.

14 A. Yes. In my prefiled testimony, I went
15 through the provisions of the stipulation. I'd like
16 to read that portion of my testimony just so that I
17 don't forgot something, if that's okay.

18 CHAIRMAN CAMPBELL: We've certainly read
19 the testimony. Is there -- how long is it?

20 MR. ROBINSON: Well, I was just going to
21 read the nine points that are printed in my
22 testimony.

23 CHAIRMAN CAMPBELL: I don't think that's
24 necessary.

25 MR. ROBINSON: Okay.

26

1 Q. (By Ms. Bell) In that event, could you
2 just summarize briefly for us why you think this
3 stipulation is in the public interest.

4 A. Well, this docket has covered a period of
5 at least two years since the filing of a letter by
6 Mr. Adams to the Commission regarding the GSS rates.
7 The parties have met in technical conferences, in
8 working groups and a task force that the Commission
9 established.

10 And over this period of two years, through
11 arms-length negotiations and discussions, the
12 Division, the Committee, the Company and the rural
13 communities have all agreed upon the stipulation, and
14 all feel that it is in the public interest to follow
15 the provisions set forth.

16 Q. What is the impact, on the GSS/EAC
17 customers, of the stipulation?

18 A. At this point the GSS and EAC customers
19 would receive an immediate rate reduction of up to
20 \$30 per month in those areas.

21 Q. What's the impact on GS-1 customers?

22 A. There is no immediate impact on the GS-1
23 customers by adopting the stipulation. The
24 stipulation calls for the revenues that would have
25 been collected from the GSS and the EAC customers to

26

1 be deferred in account 191.8 and amortized in GS-1
2 rates at a later date.

3 Q. What is the impact in eliminating the ITS
4 and IS-4 rates?

5 A. Again, opposed to what was recommended in
6 the report coming out of the task force, the
7 stipulation parties have agreed that the IS-4 and ITS
8 customers would be rolled into the I-4 and IT rate
9 schedules, but that the revenues that the Company
10 would have collected from these customers will not be
11 deferred, and that would just result in a revenue
12 shortfall to the Company of about \$180,000 a year.

13 Q. Thank you. I would now like to direct you
14 to a point raised in Mr. Ball's stipulation testimony
15 filed on March 14th, 2007, regarding the issue of
16 whether customers were contractually obligated to
17 take service, and also whether communities had
18 contractual obligations. Can you elaborate a little
19 bit on what kind of agreements customers signed in
20 those communities, those expansion-area communities?

21 A. Yes. There has been some confusion,
22 apparently, on the nature of the agreements between
23 the Company and these customers had between the
24 communities. I have said previously in testimony
25 that there is no legal obligation between -- or legal
26

1 contract between either the customers and the Company
2 or between the communities and the Company to pay
3 these extension area rates for either any set period
4 of time or until certain circumstances have been
5 accomplished, and I stand by that testimony.

6 The normal situation that the Company went
7 through when expanding to one of these communities is
8 that we would do a canvass of the community to
9 determine the number of customers that were willing
10 to sign up for gas and wanted gas in the community.
11 And before we would extend service, we required that
12 a certain percentage -- in some cases 70 percent, in
13 some cases up to 85 percent of the customers in that
14 community -- sign an agreement with the Company. And
15 as they signed this agreement, it was a service line
16 agreement.

17 So what they were saying is that they
18 would agree, if we would run the main, the
19 distribution system to the city and the main down the
20 street, they would sign up for gas, install a gas
21 appliance, and sign up for gas within a two-year
22 period. And so the obligation of the Company at that
23 point, if we got the required 80 or so percent of
24 customers to sign up for gas, the obligation of the
25 Company was to run the system.

26

1 The obligation of the customer was to
2 install a natural gas appliance and sign up for gas
3 within a two-year period. If they did not, the
4 obligation of the customer was to reimburse the
5 Company for the service line portion of the
6 distribution system that we had run. And obviously
7 the service line is only a small portion of the
8 entire system that has been run to these communities.

9 I looked at some of the engineering
10 estimates and determined that the service lines make
11 up maybe 3 to 4 percent of the total cost of running
12 a system. These -- the service line agreement that
13 the customer signed up for was not that they would
14 pay for the entire, their portion of the entire
15 expansion, they would do that by paying the expansion
16 area rates over a period of 20 years, or whatever it
17 was determined. So that was the extent of the
18 obligations between the customer and the Company.

19 I'd like to go through a couple of
20 examples of what might happen to a customer and how
21 those customers were treated. For example, a
22 customer may have signed the service line agreement,
23 fulfilled their obligation, put in an appliance and
24 signed up for gas, and at some later point, maybe a
25 year later or something, we have a customer that

26

1 moves from Beaver, say, to Cedar City.

2 At that point, that customer, by moving
3 out of the GSS area, was no longer obligated to pay
4 the GSS rates. So even though they signed the
5 service line agreement and had signed up for gas,
6 when they moved to Cedar City, they would begin
7 paying GS-1 rates. So the obligation did not follow
8 the customer.

9 In the reverse situation, if a customer
10 from Cedar City moved into that house in Beaver, they
11 may or may not be aware that the customers in Beaver
12 are paying GSS rates, and they may have been somewhat
13 surprised the first time they got a bill. But the
14 GSS rates followed the geographical area and not the
15 customers that originally signed up for gas in those
16 areas.

17 Another example that we found is that a
18 customer signed the service line agreement and was
19 running up against the two-year period in which they
20 had to install something and sign up for gas. Rather
21 than paying the default payment, which was the cost
22 of the service line, these customers, we found a few
23 that would go out and buy a natural gas barbecue and
24 hook up the barbecue as their natural gas appliance.
25 That fulfilled their obligation.

26

1 They signed up for gas, and we explained
2 to them that that may be a very expensive barbecue,
3 especially if they were in an EAC area where they
4 were paying \$30 a month for gas no matter how much
5 gas they used. But there were still some customers
6 that would do that. They fulfilled their obligation,
7 but may not have been contributing what we were
8 expecting that they would contribute, as far as the
9 gas rates, because they wouldn't be using much gas.

10 Another example would be if that customer
11 were to discontinue service. Maybe they signed up
12 the barbecue and paid the extension area charge for a
13 couple of months, and then changed their mind and
14 discontinued service. At that point they are no
15 longer a customer of ours, and we did -- there was no
16 recourse from the Company towards that customer. And
17 so the obligation ceased, and they ceased
18 contributing to the expansion area cost.

19 So I think these examples tend to
20 illustrate that these customers did not sign any
21 agreement with the Company that required them to pay
22 these rates for any period of time, any set period of
23 time. They only agreed to pay the rates if they
24 lived in that area that are approved, were approved,
25 and determined just and reasonable by the Commission.
26

1 Q. What about the communities? Did the
2 Company have any agreements with the communities
3 themselves?

4 A. Again, we don't receive money from
5 communities. We receive money from customers. And
6 so there's no mechanism in place from which we can
7 collect money from a community as a whole.

8 Q. What about the franchise agreements that
9 Mr. Ball talked about in his testimony? Can you
10 explain what those are?

11 A. We have to establish -- or arrive with a
12 franchise agreement with all of the communities which
13 we service. And the franchise agreement essentially
14 gives us the right to run our lines in the public
15 access areas of the city, down the streets. And so
16 essentially it's a right-of-way agreement between the
17 Company and the communities. It is not a situation
18 where we collect money on an ongoing basis from those
19 communities.

20 Q. Thank you. Have you had an opportunity to
21 review the 48 pages of stipulation -- supplemental
22 stipulation testimony filed by Mr. Ball?

23 A. Yes, I have.

24 Q. Do you have any responses to that
25 testimony?

26

1 A. Well, my first comment would be that
2 Mr. Ball's supplemental testimony provided a detailed
3 history of the expansion area agreement that we've
4 been talking about. I thought it was good to get
5 that history on the record. I don't know that we
6 have done that before, although this history was
7 reviewed several times in the task force and in the
8 working agreement, working groups that we have met
9 with.

10 There are a couple of points in Mr. Ball's
11 testimony that I think are interesting to note. One
12 is that it points out that the Commission has used
13 over the years a variety of mechanisms to address
14 this issue of expansion areas. We've used a
15 30 percent increase in cost. We've used double
16 margin rates. We've used expansion area charges.
17 Obviously the parties have struggled to come up with
18 a good mechanism for addressing this issue.

19 But another important point is that in all
20 of these cases, the Commission determined that the
21 rates established through these mechanisms were just
22 and reasonable, and at that time the best -- all
23 parties agreed that was the best mechanism to go
24 forward with at that time, and that all of these
25 agreements, all of these expansion areas were

26

1 established outside of a general rate case.

2 And so since they were all established at
3 one point in time outside of a general rate case,
4 again, the Commission -- we feel the Commission has
5 the ability to remove these charges outside of a
6 general rate case.

7 Another point that Mr. Ball brings up that
8 we haven't talked much about is gas costs. We've
9 focused mostly in these hearings and in the
10 discussions around the non-gas costs, how in these
11 communities the non-gas costs are higher. But
12 Mr. Ball points out that these areas may or may not
13 have different gas costs associated with them, if you
14 were to try and follow the individual molecules from
15 different sources of supply to these areas.

16 The Company has never attempted to do
17 this. The Company always relied on average system,
18 average gas costs, so that customers who may be
19 getting their supplies off the Kern River, as opposed
20 to another customer who may be getting their gas off
21 from coal bed methane or from wells in Wyoming, we
22 don't try and isolate where a customer is getting
23 their supply of gas.

24 All of the supplies are put in a pot and
25 all customers are charged the average. We think that

26

1 this is a good illustration of how the non-gas
2 portion of rates should also be handled at this point
3 in time, that average -- the average rate should be
4 used in these areas for the non-gas portion just as
5 they are in the gas portion of rates.

6 Q. Mr. Robinson, does that conclude your
7 testimony?

8 A. Yes, it does.

9 MS. BELL: Thank you.

10 CHAIRMAN CAMPBELL: Thank you. Mr.
11 Ginsberg?

12 MR. GINSBERG: The Division calls Marlin
13 Barrow.

14 CHAIRMAN CAMPBELL: All right. Mr. Barrow
15 is already sworn in this docket.

16 DIRECT EXAMINATION

17 BY MR. GINSBERG:

18 Q. Would you state your name clearly for the
19 record.

20 A. Yes. My name is Marlin Barrow.

21 Q. And you have previously testified in this
22 docket by filing direct testimony and supplemental
23 direct testimony earlier?

24 A. Yes, I have.

25 Q. Have you prepared testimony in support of
26

1 the stipulation that was filed March 14th, 2007?

2 A. Yes, I did.

3 MR. GINSBERG: And could we have that
4 marked as DPU Stipulation Exhibit 1.

5 CHAIRMAN CAMPBELL: Yes.

6 Q. (By Mr. Ginsberg) Do you have any
7 corrections to make to that testimony?

8 A. No, I do not.

9 Q. And if those testimonies were presented
10 here orally by you, would that be the testimony you
11 would give?

12 A. Yes, it would.

13 MR. GINSBERG: With that, we ask that what
14 has been marked as DPU Stipulation Testimony Exhibit
15 1 be admitted.

16 CHAIRMAN CAMPBELL: Are there any
17 objections?

18 MR. PROCTOR: No objections.

19 MS. BELL: No objections.

20 CHAIRMAN CAMPBELL: Exhibit Stipulation 1
21 is admitted.

22 Q. (By Mr. Ginsberg) Did you have a summary
23 to present?

24 A. No, I don't have a formal summary, other
25 than to state to the Commission that the Division
26

1 definitely supports this stipulation as filed. We do
2 believe that it presents just and reasonable rates
3 and is certainly the public interest, and would
4 highly recommend the Commission to adopt this
5 stipulation as filed.

6 MR. GINSBERG: Thank you. That's all we
7 have.

8 CHAIRMAN CAMPBELL: Mr. Proctor?

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

11 CHAIRMAN CAMPBELL: All right. It's my
12 understanding that you've also been sworn in in this
13 docket and remain under oath.

14 Mr. Proctor?

15 DIRECT EXAMINATION

16 BY MR. PROCTOR:

17 Q. For the record, Mr. Gimble, would you
18 state your name, your position and the party that
19 you're representing here today.

20 A. My name is Dan Gimble. I'm the Chief of
21 Technical Staff for the Committee of Consumer
22 Services.

23 Q. Did you file prefiled testimony consisting
24 of eight pages which provides the Committee's
25 position on the GSS and EAC stipulation, the date of

26

1 that testimony being March 14th, 2007?

2 A. Yes, I did.

3 Q. Do you have any corrections or amendments
4 for that testimony?

5 A. Yes, a couple corrections.

6 On page 1, the docket number on the header
7 should be 06-057-T04.

8 On page 1 also, line 15, February 14th
9 should read February 15th.

10 The third correction, on page 4 line 13 it
11 should read: "Cedar Fort is expected to pay off its
12 EAC obligation by June 2007."

13 Fourth, on page 4, line 37, I have two
14 periods there, looks like.

15 CHAIRMAN CAMPBELL: Can you slow down just
16 a minute?

17 THE WITNESS: Sure.

18 CHAIRMAN CAMPBELL: I've got the page
19 four, line 13 correction. Can you go to the next
20 one.

21 THE WITNESS: Yes. The fourth correction
22 is page 4, line 37. I just have two periods there.
23 The second period should be removed.

24 Q. (By Mr. Proctor) Mr. Gimble, if the
25 questions that you've answered in your stipulation
26

1 testimony were to be asked today, would your answers
2 remain the same?

3 A. They would.

4 MR. PROCTOR: The Committee would offer
5 for admission into evidence the stipulation testimony
6 of Dan Gimble, which we would ask be marked as CCS
7 Exhibit 1 ST.

8 CHAIRMAN CAMPBELL: All right. Are there
9 any objections?

10 MS. BELL: No.

11 MR. GINSBERG: No.

12 CHAIRMAN CAMPBELL: All right, it's
13 admitted.

14 Q. (By Mr. Proctor) Mr. Gimble, do you have a
15 brief summary of the Committee's position and the
16 reasons for that position as a described in your
17 testimony?

18 A. Yes. The Committee supports eliminating
19 the GSS and EAC rates, including resolving revenue
20 requirements in the deferred account for future
21 rate-making treatment. What we basically -- I
22 basically articulated three main reasons for
23 eliminating these rates.

24 First, and I think foremost, the rates are
25 no longer just and reasonable because they're based

26

1 on the estimated, rather than the actual, investment
2 costs of extending service to the GSS and EAC areas.
3 Because these costs were rolled into the Company rate
4 base under what's called "blanket work orders,"
5 there's really no accurate way of knowing or testing,
6 from a cost-of-service basis, whether the GSS and EAC
7 rates reflected actual expansion costs over that rate
8 effective period. And for the GSS customers, that
9 rate effective period has been, you know, roughly
10 15 years.

11 Secondly, the design and implementation of
12 the GSS and EAC rates have resulted in disparate rate
13 impacts on customers in those communities. For
14 example, in terms of the GSS customers, some were
15 required to pay for ten years, while a second wave of
16 customers incurred the GSS charges for 20 years
17 really without any reconciliation of the revenue
18 collected on the GS rate -- I'm sorry, GSS rate -- to
19 the actual cost of services by the GSS community.

20 Regarding the EAC rate, it's a little bit
21 different story. What we have there are really
22 chance events impacting customer growth or revenues,
23 and it's resulted in Ogden Valley fulfilling its EAC
24 obligation. Cedar Fort, as I just mentioned, is
25 expected to pay off by June 2007, and that payoff

26

1 schedule was accelerated by the Lakeside plant
2 development. Panguitch is scheduled to pay off some
3 years out, I think 2015. And Brian Head, their
4 payoff schedule, because of the lack of growth, is
5 pretty much indefinite.

6 The third reason that I presented in my
7 testimony was really a discussion of average cost
8 pricing methods, and that's what Questar uses, to set
9 its DNG rates. And what that implies is that a
10 dollar of revenue paid by a GS-1 customer in rural
11 Utah helps to support new distribution plant
12 investments across the Company service territory.
13 Recently, the Wasatch Front, as we all know, has
14 experienced rapid growth.

15 I think last year Questar hooked up
16 roughly 30,000 new customers, and I think that's been
17 the most that they've hooked up in quite some time.
18 And a greater percentage of revenue generated from
19 both urban and rural customers is necessary to
20 support plant investment in the extensive urban
21 corridor.

22 I think the bottom line here is I believe
23 it's a mistake to view the elimination of the GSS and
24 the EAC rates in isolation, and it's an
25 oversimplification to characterize the estimated 16

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1 cent -- yeah -- 16-cent-per-month impact to GS-1
2 customers as a subsidy from urban customers to rural
3 customers in Utah.

4 The other thing that the stipulation does,
5 it addresses many of the concerns raised by the
6 Committee and in its direct and rebuttal testimony.
7 Three things I'll mention. First, it resolves the
8 time limit issue. Secondly, it establishes a
9 separate deferred account which can be audited to
10 prospectively track GSS and EAC revenues. Third, it
11 provides the option of considering the GSS/EAC
12 revenue in the general rate case setting.

13 Q. Does that conclude your summary?

14 A. It does.

15 MR. PROCTOR: Thank you.

16 CHAIRMAN CAMPBELL: Thank you. I think
17 now what we'd like to do is ask -- oh, do you have
18 something, Mr. Proctor?

19 MR. PROCTOR: Yes. Mr. Chairman, the
20 Committee has prepared an exhibit list for all the
21 intervener's testimony pertaining to the stipulation.
22 Here's a copy for each. We provided a copy of the
23 testimony, plus exhibit list, to the reporter, and
24 now Mr. Ball -- and that includes Mr. Ball's
25 testimony. Mr. Ball also prepared his own exhibit

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1 list, I don't know which he wishes to use. So we've
2 tried to prepare the reporter and the Commission with
3 an appropriate packet. The Committee, of course,
4 would be pleased to offer the testimony.

5 CHAIRMAN CAMPBELL: My understanding is
6 that this is not testimony, it's position statements
7 that we put on the record that would not be subject
8 to cross-examination.

9 MR. PROCTOR: I didn't have an
10 understanding either way. If that is, in fact, the
11 way the Commission wishes to proceed, then that would
12 be appropriate. I think that -- let me -- Mr. Adams
13 and Mr. McCandless are here and they can certainly
14 speak to how they viewed those statements, as
15 testimony or position statements. Obviously, the one
16 for Cedar Fort prepared by their counsel, Mr. Moss,
17 and the Salt Lake City Community Action Program are
18 plainly position statements and probably would not be
19 subject to cross.

20 CHAIRMAN CAMPBELL: All right. I guess
21 let me ask Mr. Adams and Mr. McCandless. You filed
22 position statements. Did you intend for them to be
23 something different than that?

24 MR. ADAMS: I did not.

25 MR. CANDLESS: Nor did I.

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1 CHAIRMAN CAMPBELL: As we typically do
2 with the position statements, we'll certainly put
3 them on the record, read them and understand what
4 your viewpoint is, but they wouldn't be subject to
5 cross-examination.

6 MR. PROCTOR: Thank you, Mr. Chairman.
7 Thank you.

8 CHAIRMAN CAMPBELL: My colleagues have
9 asked several questions already in this docket, and
10 they have been gracious to allow me to begin the
11 questioning today, so I'll start today and then we'll
12 have their questions. After we ask our questions, if
13 there are additional questions from other parties,
14 then those will be permitted.

15 Let me start with some general questions.
16 I have several general questions for all three
17 panelists, and then I do have some specific questions
18 for each of you related to your prefiled testimony.

19 The first question I have is: We, here in
20 less than a year now, in fact, twice already within
21 the year, have had the Questar, Division and
22 Committee stipulate and agree that rates are just,
23 reasonable and in the public interest. On May 10th
24 of '06 we had a rate reduction stipulation. On
25 September 12th, 2006 we had the CET pilot program

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1 where parties in that stipulation believed the rates
2 were just and reasonable and in the public interest.
3 Now, as I -- so I guess the first question is: What
4 has changed in the last seven months that now makes
5 rates unjust and unreasonable, absent this
6 stipulation? What has changed?

7 It really comes down to the issue of we've
8 had, not just in the last year, but in the last
9 decade, everyone's agreed these rates are just and
10 reasonable. As of seven months ago, the parties said
11 rates are just and reasonable. And so I'm asking:
12 What's happened in the seven months that now all of a
13 sudden they're not just and reasonable anymore? I'm
14 asking each one to comment. So go ahead, Mr.
15 Robinson, we'll start with you and work our way down.

16 MR. ROBINSON: I think it's the Company's
17 position that the rates, including the GSS and EAC
18 rates, are still just and reasonable and continue to
19 be just and reasonable. However, we agree with the
20 other parties in this case that it is no longer in
21 the public interest to continue these higher rates in
22 isolated portions of the system.

23 CHAIRMAN CAMPBELL: Okay. Mr. Barrow?

24 MR. BARROW: Chairman Campbell, from the
25 Division's position, we were basically responding to
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1 the way that the dockets were filed in this whole
2 process. I think from the outset the Division viewed
3 that the GSS rates, in particular, and the EAC were
4 probably a little out of line, but because of the way
5 the dockets were separated and isolated, we just
6 responded to each issue as it came up in those
7 dockets and tried to address them in that manner,
8 rather than all at once.

9 In the original filing in the CET tariff,
10 that original filing included the elimination of the
11 GSS rates. At that time, through the stipulation
12 process, that issue was removed to this docket, so
13 things just kind of got put off and treated in
14 separate dockets. And I think for that reason it's
15 become apparent that we just tried to address the
16 issues as they were filed in the dockets.

17 CHAIRMAN CAMPBELL: Thank you.

18 Mr. Gimble?

19 MR. GIMBLE: I think your question is
20 addressed by me in my testimony, I think. Number one
21 is that if you go back to the May order from the
22 Commission, it set up a task force to investigate the
23 reasonableness of the GSS and EAC rates. At least
24 that was part of the mission of the task force. So
25 there was quite a bit of scrutiny over the ensuing

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1 months, and even further scrutiny, at least by the
2 Committee, of the cost-of-service basis for these
3 GSS/EAC rates. After the Company filed their
4 application -- I believe they filed in late December
5 or early January their application -- and our
6 investigation, at least, into that, what we were able
7 to glean from that investigation is these rates may
8 no longer reflect costs.

9 CHAIRMAN CAMPBELL: Okay. Let me ask
10 specifically as it relates to the stipulation and
11 something that I'm trying to understand. Is there an
12 inconsistency in the way the stipulation treats
13 current GSS and EAC customers and potential
14 GSS/EAC-type customers? And if there is this
15 inconsistency, what is the justification for it?
16 Meaning going forward, somebody has to pay the
17 complete cost difference, and in this case you're
18 waiving some of those costs.

19 So how do you explain that inconsistency
20 in how you're treating current customers and your
21 going-forward customers?

22 MR. ROBINSON: I think that it has become
23 apparent over the years that mechanisms that we have
24 attempted to use to collect the expansion area costs
25 from the customers have not worked as we thought they

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1 would work and have not had the results we expected.
2 And even though we say in the stipulation that any
3 future community that wants to be an expansion area
4 has to come up with the money themselves, it is
5 anticipated, and it came out in the task force, that
6 there are alternatives for these communities.

7 There are sources of funds through the
8 Legislature or through the Federal Government that
9 they can access, that they can use to essentially
10 help them pay the costs rather than still not force
11 those costs upon the individual customers in those
12 communities.

13 CHAIRMAN CAMPBELL: Do any of the other
14 panelists have an opinion on this question?

15 MR. BARROW: From the Division's
16 perspective, we just felt that we wanted to remove
17 Questar Gas, as far as future customers are
18 concerned, we wanted to remove Questar Gas from the
19 equation in providing the financing for those
20 projects. We view everything else, you know, the
21 same, as far as the service line agreements.

22 But as far as coming up with the initial
23 costs for the main line extensions, we view that as a
24 true contribution in aid of construction. And those
25 funds we just hope can be found from third-party

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1 sources and not have Questar, in their tariff, have a
2 means where they will provide the financing for that.
3 So that's why we were desirous to remove that from
4 their tariff. To come up with those contributions,
5 third-party sources will need to be sought out and
6 supplied before that can happen.

7 CHAIRMAN CAMPBELL: Mr. Gimble?

8 MR. GIMBLE: I guess I have a similar
9 answer to Mr. Barrow. We were trying to remove
10 Questar and, really, its customers from the equation
11 in terms of supporting the financing of future
12 expansions to areas such as Wendover, maybe Kanab,
13 something like that, a community like that.

14 In terms of responding to something that
15 Mr. Robinson said, this well could end up at the
16 Legislature in terms of finding some kind of
17 mechanism up there to fund future extensions.

18 CHAIRMAN CAMPBELL: All right. The next
19 general question, like the last general question I
20 have before some specific questions, relates to
21 another inconsistency in the stipulation. Maybe tell
22 me if it is an inconsistency. Is it inconsistent
23 where you have GS-1 customers picking up the revenue
24 shortfall for the GSS customers, if you don't have
25 the I-4 or the IT customers picking up the revenue

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1 shortfall for the IS-4 and the ITS customers? And
2 what is your basis for having that difference, or
3 that inconsistency, in the stipulation?

4 MR. ROBINSON: The I-4 rate class, since
5 the last general rate case in 2002, has changed quite
6 a bit. Most of the customers that were on the I-4
7 rate class when those rates were established have
8 moved either to transportation or to a firm rate
9 schedule, such as F-4, F-1 or F-4.

10 When we attempted to roll in the costs of
11 the IS-4 into the I-4 class, because that class is
12 now much smaller, it resulted in a significant
13 increase in the I-4 rate. I believe it was up to,
14 like, a 50 percent increase. We felt that that was
15 not a fair result from this docket, to increase the
16 I-4 rates to that amount. And since those customers
17 have moved to other rate schedules and are paying
18 different rates, the Company felt that it was --
19 probably the most fair thing to do was for the
20 Company just to go without those revenues. That left
21 about a 1.2 percent increase to the I-4 and the IT
22 rate schedules.

23 When, during the stipulation process, it
24 became apparent that we have a mechanism to defer the
25 cost of the GSS and EAC rate schedules into the GS-1

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1 through the CET mechanism, or the one, the one
2 account, that there is not a similar deferral
3 mechanism for the industrial customers. And at that
4 point it was a minor amount of revenues, something
5 like 30, \$30,000. And so rather than attempt to
6 create a mechanism for the industrial customers, the
7 Company agreed to, again, just go without the \$30,000
8 of extra revenues.

9 CHAIRMAN CAMPBELL: Any additions to that?

10 MR. BARROW: Chairman Campbell, from the
11 Division's perspective, when the original filing was
12 filed and it included the small but significant
13 percentage increase to the IS and I-4 customers, that
14 was probably one of the main reasons the Division
15 thought it best that if that was going to be the
16 case, we should treat that in a general rate case,
17 because those customers have never really been
18 represented in this whole proceeding dealing with the
19 GSS and the EAC issues.

20 But, as you well know, we then had the CET
21 tariff approved by the Commission. That CET tariff
22 applies strictly to the GS-1 class, which includes
23 the GSS and EAC customers. And because of that, for
24 that reason, we felt that the process of the CET
25 mechanism would take care of whatever would happen
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1 with the elimination of the GSS/EAC rates.

2 The Company did agree, in that process, to
3 forego any increase to the I-4, IS rates because of
4 the transference or elimination of those ISS rates,
5 and therefore, you know, we felt the stipulation
6 really addressed the issue, that no one's rates were
7 going to be raised outside of a rate case, and that
8 addresses the concerns of all the parties. So that's
9 why we felt that it is a fair and reasonable solution
10 to the issue.

11 CHAIRMAN CAMPBELL: Do you have a comment?

12 MR. GIMBLE: Yes. The Committee, only in
13 terms of IS and the ITS classes, the Committee's
14 clients, the residential/small business customers,
15 don't take service under those tariff schedules, and
16 we just analyzed the sum of the stipulation from the
17 standpoint of those classes.

18 CHAIRMAN CAMPBELL: Thank you. Mr.
19 Robinson, let's start with you and your direct
20 testimony. Let me start -- I think most of my
21 questions for you relate to your testimony on page 6.
22 I don't how this actually relates to your testimony
23 just now, but on lines 95 and 96 you state: "There's
24 a conclusion that these expansion area rates are no
25 longer just and reasonable for communities," and
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1 whether it's just and reasonable or in the public
2 interest standard.

3 Let me ask you, and I realize that in your
4 rebuttal testimony you refer to a precedent in a
5 Commission order back in 1981. And I guess my
6 question for you first would be: Why would that, and
7 not a more recent handling of the elimination of the
8 GSS rates, be the precedent; i.e., that the Company
9 does not get whole in their revenues until the
10 general rate case?

11 What would prevent the Commission from
12 saying, "We're going to eliminate" -- if what you say
13 is correct, and you cannot support that these rates
14 are just and reasonable any longer, then what would
15 prevent the Commission from saying, "Okay, they're
16 eliminated, but they're also eliminated from your CET
17 revenue-per-customer mechanism, and we'll treat them
18 just like the 10-year GSS rates?" Why would that not
19 be a precedent? Why are you turning to the 1981
20 versus what we did the last time we eliminated the
21 GSS rate?

22 MR. ROBINSON: Well, when the ten-year GSS
23 rates expired, the Commission, I don't believe, had
24 to do anything. They didn't have to approve the
25 elimination of the ten-year GSS rates. They just
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1 expired. And they expired in between rates cases,
2 and then the Company had to file a rate case in order
3 to recover those costs.

4 CHAIRMAN CAMPBELL: So the key difference
5 is our pilot CET program, is what you would say?

6 MR. ROBINSON: No. I think the key
7 difference is that these rates are not expiring. The
8 Commission would be eliminating the rates outside of
9 the regularly-scheduled expiration. And so by doing
10 that, it appears to me that the 1981 case would be
11 more applicable; that when you eliminated them, that
12 you would make the Company whole.

13 CHAIRMAN CAMPBELL: Let's go through your
14 rationale. I'd really like just to ask a question on
15 each one of your rationale. Your next rationale is
16 on 96 and 97. You say one rationale is that these
17 customers are on longer than others. And my question
18 is: Wasn't this known at the time these rates were
19 established? We had ten-year rates, and at that time
20 we knew that they were longer than the others when we
21 established 20-year rates. So I guess, what is the
22 rationale that the time be shortened from the
23 original determination that they ought to be 20-year
24 rates?

25 MR. ROBINSON: Well, the rationale that
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1 they be shortened was specifically identified in the
2 task force report. I mean, these issues were all
3 discussed in the task force that the Commission
4 established. And the task force as a whole
5 determined that the best course of action at this
6 point in time, for various reasons that were
7 identified in the report, that at this point in time
8 the best course of action would be to eliminate these
9 rates.

10 CHAIRMAN CAMPBELL: So your answer is
11 opinion. I mean, originally they were set at
12 20 years, based on some analysis by the Company, and
13 then today we're going to shorten that because it's
14 the opinion of this task force that they ought to be
15 shortened?

16 MR. ROBINSON: And the stipulating parties
17 to this case.

18 CHAIRMAN CAMPBELL: Your next rationale is
19 on 96 and 97, where you state that "growth didn't
20 materialize as expected." And doesn't this argue
21 that the time should be extended rather than
22 shortened? I mean, if there was an analysis done
23 initially that it should be 20 years to payoff, and
24 now you're saying, "Well, the growth didn't
25 materialize," that's suggesting that perhaps they're

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1 underpaying what was originally suggested. So how
2 does that support your point?

3 MR. ROBINSON: I think this brings up a
4 very important point, and that's something that we
5 talked about in the task force, but I'm not sure it's
6 come out in the hearings.

7 That is, let's take an example of a
8 customer, for example, in Brian Head. When we did
9 the canvass in Brian Head, 80 percent of the
10 customers said they would sign up for gas. They
11 signed the service line agreement, and we ran the
12 system up the canyon and through the town and then
13 said, "Okay, you've got two years to sign up." Some
14 customers signed up immediately. They did exactly
15 what they said they would do when we did the canvass,
16 okay?

17 And other customers, apparently in the
18 intervening period of time, changed their minds and
19 determined that they would rather pay the default
20 payment, pay for the service line that the Company
21 had installed, but not go through the effort of
22 converting their appliances and signing up for gas.

23 So we're in a situation here, now several
24 years later, where that customer who signed up on the
25 first day that gas was available, has been paying

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1 that \$30 charge consistently and devotedly for seven
2 years. Now, it is obvious at this point that because
3 of actions of others in the community, that the Brian
4 Head BAC may never pay off, that these customers
5 would have to pay the \$30 indefinitely.

6 Now, who are we penalizing? It appears to
7 us, and when we -- it appeared to the task force,
8 that by extending the extension area charge beyond,
9 even beyond today, that the people we are penalizing
10 are the customers who did exactly what they said they
11 would do, and that is sign up for gas as soon as they
12 could. And the people who essentially caused the
13 problem are not customers of ours. We have no
14 recourse against them.

15 And so it seems like we're penalizing the
16 wrong people. We're -- it's a fairness issue, and it
17 seems like it becomes even more and more fair --
18 unfair that we continue to charge the customers who
19 did sign up.

20 CHAIRMAN CAMPBELL: And I understand your
21 EAC example. Are we penalizing anybody under the GSS
22 with that rationale?

23 MR. ROBINSON: It's not as clear under the
24 GSS, although the same principle applies on the
25 customers who signed up. And we knew at the time

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1 that there would be growth in these areas, and
2 customers who signed up early would pay for 20 years,
3 and customers who moved into the area in the 19th
4 year may only pay one year of the contribution. Even
5 though we knew that, it does seem somewhat unfair.

6 CHAIRMAN CAMPBELL: The next rationale
7 deals with: "Cross-subsidization is de minimis to
8 existing customers." And I guess my question is:
9 When you look at the preference statute, isn't the
10 issue in the preference statute looked at on both
11 sides? Not only the person that's subsidizing; i.e.,
12 the 16 cents, but the receiver of the subsidy? So
13 the question is, and if I did the math right, if
14 there's five years left on GSS, and it's about \$170 a
15 year, that's about \$850 dollars. On that side, is
16 that de minimis, someone receiving \$850?

17 MR. ROBINSON: No.

18 CHAIRMAN CAMPBELL: The next rationale
19 that you have deals with economic development. And
20 people love to cite that section of our statute,
21 54-3-1, as what may be included in "just and
22 reasonable." And certainly we as a Commission are
23 aware of that. It says that we can consider the
24 economic impact of changes on each category of
25 customers and on the well-being of the State of Utah.

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1 Yet we also have a preference statute that
2 we have to balance that against and synchronize the
3 two. And I guess as I look at recent history, the
4 Commission, in the U.S. Mag case, has removed
5 subsidy, or any potential for subsidy, along with the
6 other industrial customers.

7 I think the last time this part of the
8 statute might have been used was when the HELP
9 electric program was implemented. By this
10 Commission, I think in the last HELP case, said
11 benefits have to exceed costs for this program to
12 continue, as we did our five-year review.

13 So my question is: Are you aware of any
14 rate established by this Commission that relies on
15 this economic argument? I mean, is this is the first
16 time this Commission -- aside from the Commission
17 perhaps reversing course and removing subsidy, are
18 you aware of any rate we currently have now that is
19 based on this language of the statute?

20 MR. ROBINSON: Well, I don't know if the
21 IT-1 rate relies on the statute, but the IT-1 rate is
22 a discounted rate to transportation customers to --
23 so that those customers -- essentially it's a bypass
24 rate. So we would rather have those customers as
25 customers paying something as a contribution to the

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1 system rather than have them leave the system and not
2 pay anything.

3 CHAIRMAN CAMPBELL: Right. Bypass rates
4 are set up because all remaining customers benefit if
5 they stay on the system and pay a portion of fixed
6 costs.

7 MR. ROBINSON: That would be the only
8 example that I could come up with.

9 CHAIRMAN CAMPBELL: All right. Let me --
10 I just have a few more. In regards to on the next
11 page, I believe you talk about contribution in aid to
12 construction. And it was unclear to me in your
13 testimony whether these communities, the GSS and EAC
14 communities, received the same allowances that all
15 your other customers received at the time they
16 received service.

17 MR. ROBINSON: They did.

18 CHAIRMAN CAMPBELL: They did. So when you
19 talk about, on page 7, when you talk about
20 contribution in aid to construction, and you make the
21 argument that EAC customers have paid a higher amount
22 than GSS customers, isn't that the policy? Isn't it
23 that contribution in aid to construction, or my
24 understanding of how it works, and once again I
25 refreshed myself on your tariff for this case, and I
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1 went and reread the line extension policies we have
2 in place.

3 So I guess maybe this is another
4 inconsistency question I want to ask the parties as
5 it relates to how the stipulation changes current
6 policy. But in our current line extension policy,
7 residents are given an allowance, and then anything
8 else they're responsible for. And so doesn't this
9 stipulation, then, also directly contradict our
10 current line extension policy as it relates to
11 contribution in aid to construction?

12 MR. ROBINSON: Well, my point here in
13 referring to the contribution in aid to construction
14 is to point out that there is a balance between what
15 customers are required to pay to cover the costs of
16 extending them service, and even in the non-extension
17 areas in the Salt Lake Valley, the new customers only
18 pay a portion of the costs required to extend
19 service.

20 And that's similar to what has happened in
21 the expansion areas. These customers have also paid
22 a portion of those costs. It's a balance, and a
23 balance between having customers pay everything
24 versus having customers pay a portion.

25 CHAIRMAN CAMPBELL: I'm going to go to
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1 Mr. Barrow now. Perhaps a question I was going to
2 ask Mr. Gimble about in his testimony, and I'm going
3 to actually ask you to comment on it, relates to his
4 \$2.5 million shortfall calculation, because it's my
5 understanding from conversations I've had with the
6 Company that the recent line extension policy, the
7 allowances that we had put into the statute have
8 actually taken off the revenue pressure that the
9 Company was feeling with customer growth. So just
10 giving you a few-minute warning to think about that
11 question.

12 Let me go to you, Mr. Barrow, and
13 actually, Mr. Gimble, the two questions, I think, are
14 similar to both you and Mr. Barrow, since you both
15 referred to the Panguitch bill, and so I wanted to
16 ask questions related to the Panguitch bill to both
17 of you.

18 And the first one is: Doesn't the
19 Panguitch bill suggest that something of this nature,
20 meaning this amount of cross-subsidy, rightly belongs
21 before the Legislature? Isn't having -- the
22 Legislature having acted in the past in this very
23 area, doesn't that suggest -- and then removing that
24 and putting it in place, providing some subsidy and
25 then taking it out, doesn't that suggest that perhaps

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1 this requires legislative action?

2 MR. BARROW: My intent in putting that
3 example in my testimony, Chairman Campbell, was to
4 show that if that law was currently in existence,
5 then this amount of subsidy would be appropriately --
6 would be able to be approved by this Commission. It
7 was only an example. I really didn't mean to infer
8 that, you know, it's a legislative matter by
9 referring to that. I was just using that as an
10 example.

11 And in past history, even though it was a
12 legislative act, the guidelines set forth certainly
13 establish within this docket that the amount of
14 subsidy falls within those guidelines. That was my
15 only intent in bringing that out, not to suggest that
16 we need to have legislative action in order to
17 continue doing this.

18 CHAIRMAN CAMPBELL: Mr. Gimble, you
19 referred to the Panguitch bill.

20 MR. GIMBLE: Right. I would have a
21 similar answer as Mr. Barrows, relating to why we put
22 that example in there. I would also add that I do
23 think that it should stay here before the
24 Commission and not be kicked up to the Legislature to
25 be addressed, because what I think this investigation
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1 of these rates shows is there is a lack of
2 cost-of-service basis for the rates. And the
3 Commission can go about addressing that, I believe.
4 And not only a lack of cost-of-service basis for the
5 GSS, particularly the GSS rates, but also when you
6 look at the EAC rates, we've had disparate rate
7 impacts because of unforeseen events transpiring in
8 various EAC communities.

9 For example, and I went through it in my
10 summary, but I'll do it again, because you had
11 development in Snowbasin up in Ogden Valley, and also
12 you had a lot of native growth there as well, that
13 community was able to pay off quite quickly,
14 especially when the interest rate was lower a couple
15 years ago.

16 Secondly, you have Cedar Fort that's
17 expected to be able to pay off by June of 2007, and I
18 think that's in advance of its expected payoff, and
19 that's because of, really, the unforeseen development
20 of the large lakeside gasfire and CCCT plant that's
21 going to be owned and operated by PacifiCorp. Then
22 you have Panguitch that is kind of on the normal
23 payoff schedule, or the anticipated payoff schedule
24 of 2015, and then you have a community like Brian
25 Head where growth has been very low and the payoff

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1 schedule is indefinite.

2 CHAIRMAN CAMPBELL: Maybe I'll skip to my
3 question for you on this very topic, and then I can
4 then come back to Mr. Barrow. Isn't it a disparate
5 rate impact for Ogden Valley, who has paid their fair
6 share, and then for Panguitch, that will get someone
7 else to pay their share? I mean, isn't that on the
8 other side, a disparate rate impact for Ogden Valley?

9 MR. GIMBLE: I mean, I was initially
10 thinking that way. I mean, I kind of started from
11 that premise, and I was thinking about it in terms of
12 the GSS customers as well. But Mr. Ball brought up
13 kind of an interesting point with respect to the
14 second wave of GSS customers. I think he mentioned
15 the tie-in line -- I think it's on page 17 of his
16 testimony -- that helped -- I think they looped a
17 line that helped increase the supply capabilities
18 down in that area of the state.

19 And really, the GSS, the second wave of
20 GSS customers contributed more to that tie-in. So it
21 kind of goes back to my discussion of, you know, we
22 price based on using average cost pricing methods.
23 Growth in Logan, you know, a customer down in
24 Panguitch is contributing to the investment that's
25 needed to meet that growth.

26

1 CHAIRMAN CAMPBELL: I've got questions on
2 the average costing for you as well, but I'm going to
3 go back to Mr. Barrow and come back to you. The
4 second question relating to Panguitch is -- and I
5 think maybe you already answered it, but since you
6 brought up Panguitch I might still ask it -- when the
7 Panguitch bill passed, I don't know if I should call
8 it the Panguitch bill. I don't know how to spell it
9 anyway, right? When House Bill 180 passed,
10 Panguitch, as part of that bill, had to pay a \$30 EAC
11 on top of the subsidy they were receiving.

12 So isn't that somewhat suggestive, from
13 the Legislature, who certainly writes our statute and
14 from whom we take our guidance, isn't that suggestive
15 that they fully understood that Panguitch would pay a
16 piece of that and expected them to pay a piece of it?

17 MR. BARROW: Well, yes. In the context of
18 the Panguitch bill, that certainly is true. But I
19 also think that the Panguitch bill was addressing the
20 issue that other customers' subsidization of the -- I
21 think it was 32 cents a year for the average customer
22 was the amount, that that guideline of two-tenths of
23 a percent, or -- yes, two-tenths of a percent, if it
24 falls under that, then that type of subsidization is
25 okay for the other customers to pick up.

26

1 Even though the Panguitch customers were
2 paying \$30 a month for their contribution, the other
3 customers, it was okay for them to pick up the
4 remaining costs, as long as it wasn't more than
5 two-tenths of a percent of the annual revenues of the
6 Company. And I'm just -- the reason I'm pointing
7 that out is that if that were the law today,
8 assuming, you know, everything else is equal, that
9 the rest of the GS-1 customers would fall within that
10 guideline, that they could pick up the remaining
11 dollars, the revenue that is -- would be lost with
12 the elimination of the GSS/EAC rates.

13 That was the only purpose of me addressing
14 that issue at the time, was just to look at the
15 subsidy amount and whether it was applicable, if the
16 law was in today, then that amount of subsidy would
17 be permissible.

18 CHAIRMAN CAMPBELL: Mr. Gimble, should we
19 take any guidance from a Legislature that, when they
20 did the Panguitch bill, that they fully knew that
21 Panguitch would be paying \$30 EAC for 15 years on top
22 of the subsidy they were getting? Is that
23 illustrative at all of policy and direction from the
24 Legislature?

25 MR. GIMBLE: Yes and no. I mean, what we
26

1 have here is a situation that you have varied
2 approaches to deal with the extension of service.
3 Over time, going back, you know, all the way to the
4 '60s when we were dealing with Duchesne and
5 Roosevelt, when you had the 30 percent increase, a
6 lot of what I thought were creative ideas were
7 fashioned to deal with that problem.

8 And here we are today dealing with GSS and
9 EAC rates that, when you try to match up the rates to
10 the cost of service related to those areas, I mean,
11 you just can't do it. And one of the fundamental
12 principles of rate-making is rates should be
13 cost-based, and that's probably the most fundamental
14 rate-making principle, that they all should be fair.
15 And is it fair to make Brian Head go on paying the
16 CAC charge, you know, for the next 20 or 25 years,
17 when Cedar Fort is paid off because they've had quite
18 a bit of growth there and they also had the Lakeside
19 power plant which was vital in kicking in revenue?

20 CHAIRMAN CAMPBELL: Thank you.

21 Mr. Barrow, let's come back to your
22 testimony. And I believe it was the Division that
23 actually posed this idea of a deferral. And I'm
24 trying to figure out a way to phrase this question to
25 maybe not sound so pejorative, but I haven't come up

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1 with a way, so I apologize. I apologize in advance.

2 But isn't a deferral maybe more of a way
3 to hide the impact that this change will be upon
4 customers? I mean, is that the intent, rather than
5 just say, "We made the change, let's put it into
6 place," rather than, "Let's put it off here and
7 wait"?

8 MR. BARROW: All right. I think the
9 concept of the deferral was actually the Committee's
10 proposal, that they defer. But really, with
11 respect -- in the context of the CET tariff --

12 CHAIRMAN CAMPBELL: And that's what I
13 meant, in the sense of putting it into the CET tariff
14 rather than making a rate change for everyone. Not
15 just removing the GSS, but increasing the GSS.

16 MR. BARROW: Right. What it does is it
17 basically, as far as the CET tariff is concerned, it
18 basically assumes, for the purpose of the CET tariff,
19 that those revenues are still being collected by the
20 Company.

21 In other words, the benefits of that
22 higher amount that the GSS and EAC customers would be
23 paying are still reflected in the CET tariff
24 calculations, but the actual collection of those
25 revenues is deferred until a later time so that the

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1 true rate adjustment that would have occurred in the
2 CET tariff is just deferred to a later period.

3 CHAIRMAN CAMPBELL: I'm trying to
4 understand the benefit. I mean, it's kind of a
5 pay-me-now, pay-me-later. I mean, why not pay me
6 now? What are the advantages to pay later? In fact,
7 I see a disadvantage insofar as you're adding a 6
8 percent interest rate on the pay me later. That's
9 why I don't understand the rationale for this pay me
10 later.

11 MR. BARROW: That was in the spirit of the
12 stipulation, arriving at something that all parties,
13 you know, could readily accept and agree to. The
14 Division's original position was that the CET tariff
15 will just take care of any adjustment automatically
16 as it's currently constituted. But we do recognize
17 the fact that yeah, this could be a slightly more
18 costly way of doing things, as far as because of the
19 interest, but we figured it's going to be very de
20 minimis and really not, dollar-wise, have a very
21 impact at all.

22 CHAIRMAN CAMPBELL: I'm going to let Mr.
23 Gimble answer this question, because I think he
24 already has. But your advantage is that you possibly
25 do this in a rate case, but it's not a requirement?

26

1 MR. GIMBLE: Correct. Correct. That's
2 our preferred alternative, but, you know, we haven't
3 totally rejected other options such as the CET, if
4 it's still in existence after September of this year,
5 or just amortizing the 191.8 account, just simply
6 doing that. Why we wanted to put it in a rate case
7 is in a rate case, as you well know, the Commission
8 looks at all aspects of the Company's operations. It
9 looks at revenue. It looks at expense. It looks at
10 rate base, and it reviews the Company's cost of
11 service study, how any change or other requirements
12 should be spread amongst the customers' classes.

13 And then it has an opportunity, once
14 you've set that revenue requirement, how are you
15 going to collect it from customers within that class.
16 We think this should be examined in the context of
17 all these other items. It may be the case that
18 because customers don't even see the impact of
19 removing the GSS and EAC charges in the context of a
20 general rate case, if the outcome of that general
21 rate case, for example, is a decrease in the
22 Company's revenue requirement.

23 CHAIRMAN CAMPBELL: So then you go back to
24 my very first question that I thought was pejorative,
25 saying: Is this a method to hide it, that you net it

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1 against all these other things? I mean, in the end,
2 GSS -- is anyone here suggesting that GS-1 customers
3 will not pay this? I mean, they will pay the 16
4 cents. They just might not see it because it will be
5 netted against other things in the general rate case.

6 I mean, am I wrong in saying that, or in
7 understanding that, that that's the intent of the
8 parties, that whether it's netted or not, GS-1
9 customers are going to pick this up? Is that true,
10 or am I missing something?

11 MR. GIMBLE: They're going to incur these
12 costs in one venue or another. The Committees prefer
13 venue as a general rate case, where it can be dealt
14 with in conjunction with all other rate-making
15 elements.

16 CHAIRMAN CAMPBELL: Okay. We're going
17 to -- I still have some questions for you, Mr.
18 Gimble, but we've been going a long time. We're
19 going to take a 15-minute recess.

20 (Recess)

21 CHAIRMAN CAMPBELL: Let's go back on the
22 record. Mr. Gimble, I have a few questions for you.

23 MR. GIMBLE: Okay.

24 CHAIRMAN CAMPBELL: In your summary -- I
25 don't know how to address this. On page 3, let's go

26

1 to page 3 of your testimony.

2 MR. GIMBLE: I'm there.

3 CHAIRMAN CAMPBELL: The question I have
4 here is a little more specific. Let me start with a
5 general question, and then I'll go to the specific
6 question. In your summary you made a statement about
7 estimated costs versus actual costs as a reason why
8 rates might not be just and reasonable. In the world
9 we live in today, with future test years, aren't
10 rates set on estimated costs versus actual costs?

11 MR. GIMBLE: They are to a degree,
12 typically, in the future tests we've been dealing
13 with with PacifiCorp, but we haven't really had a
14 general rate case with Questar using a future test
15 year, so I'll stick with PacifiCorp.

16 We do use a historical, if you will,
17 baseline or benchmark to start with upon which the
18 forecasting is based. A lot of analysis goes into
19 the review of those forecasts in terms of the data,
20 the models, etc. I think the situation is different
21 in terms of the test years we've been using in the
22 detailed analysis we've done of those forecasts
23 versus the situation we have here.

24 The other thing, or consideration, I want
25 to bring into the picture is that what we had --

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1 let's take the GSS rates. You had estimates, cost
2 estimates. The rates were built up based on those
3 cost estimates. Those rates were just put in
4 initially for ten years, and then later for 20 years,
5 without any kind of a reconciliation of how the
6 revenue generated from those rates matched up against
7 the costs.

8 That doesn't occur in terms of normal
9 rate-making, because you periodically have a rate
10 case pass your filing with respect to Questar, to
11 examine the cost basis of the rates that you're
12 setting.

13 CHAIRMAN CAMPBELL: But is there anything
14 inherently wrong with setting rates on estimates
15 versus actual costs, under our statute?

16 MR. GIMBLE: I believe the statute allows
17 the Commission to do that, but I think the situation
18 is different in terms of, as I've just explained,
19 there's an opportunity for the Commission, if you get
20 a rate case wrong, for example, and you increase --
21 let me be specific for the rates, and I'll use the
22 stipulation.

23 The most recent stipulation, I believe, is
24 \$115 million, and lo and behold, the Division, the
25 Committee, audit the Company subsequently and find

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1 that they're overearning by X percent. Then we have
2 the opportunity to bring the Company in to adjust
3 those earnings, or at least make the case that those
4 earnings should be adjusted downward.

5 And so I think the difference is kind of
6 you have more of a constant vigilance of the rates
7 you're putting in place in terms of general rates
8 versus what was put in place with the GSS and EAC
9 communities where those rates were just implemented
10 and left there without any requirement by the
11 Commission to scrutinize the reasonableness of those
12 rates as they relate to the costs.

13 CHAIRMAN CAMPBELL: Let me ask you a
14 specific question related to your testimony of
15 estimated versus actual, and I might ask Mr. Robinson
16 as well. Is there a distinction between GSS and EAC
17 rates? I mean, I understand GSS are estimated. Were
18 EAC rates based on actual costs and the payoff
19 performed against actual costs? Maybe I should ask
20 Mr. Robinson that first.

21 MR. ROBINSON: The EAC rates were also
22 established based on the estimated costs of the
23 systems, just as the GSS were.

24 CHAIRMAN CAMPBELL: So you estimated those
25 costs, you set those rates?

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1 MR. ROBINSON: And we estimated those
2 costs based on the minimum system to serve those
3 communities, serve the customers there at the time,
4 but did not include in those rates the costs of
5 operating the system to allow for future growth.

6 CHAIRMAN CAMPBELL: So as those costs
7 actually occurred in the EAC areas, you didn't change
8 the estimate?

9 MR. ROBINSON: No.

10 CHAIRMAN CAMPBELL: Let me ask you, let's
11 go to the \$2.5 million calculation. My understanding
12 was that when we changed the line extension policy a
13 number of years ago, that by moving it away from
14 allowed square footage to actual dollar amounts, that
15 that was more reflective of the revenue requirements
16 for each customer, and that that took some of that
17 pressure off.

18 So I guess maybe I'll start with you,
19 Mr. Robinson. Do you agree with Mr. Gimble's
20 calculations on page 5 at it relates to this analysis
21 of this pressure on revenue shortfall?

22 MR. ROBINSON: Well, I agree with the
23 calculations that he made based on the exhibit that
24 was in the last case, that those customers, even with
25 the new line extension policy, do not pay the entire

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1 cost of their -- of them establishing service.

2 But if you remember in that case, there
3 were arguments that new customers should pay the
4 entire cost, and those arguments were not accepted by
5 the Commission or by the majority of the parties in
6 that case. But it was a move in the direction of
7 making those customers pay more than they had been
8 paying in the past, and the Company feels that it was
9 a move to create a better balance, and there is a
10 better balance today than there was in the past.
11 Even though there is a shortfall in those customers
12 paying their entire cost, those customers also use
13 gas and provide revenues, and that's the other side
14 of the equation that balances why we can allow that.

15 CHAIRMAN CAMPBELL: That's where I'm
16 heading. I mean, new customers pay a portion of the
17 fixed costs, which benefit all existing customers.
18 There's other offsets to this, and so my question
19 really is: Is there a shortfall? When new customers
20 come in under line extension in total, I haven't seen
21 over the last three or four years this \$2-and-a-half
22 million pressure, I guess, to revenue requirement.

23 MR. ROBINSON: Right. There are some
24 pressures that the Company continues to address
25 through efficiencies and cost reductions. But the
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1 pressure, obviously, is not there like it was before.
2 However, the Company is kind of entering a new era in
3 which growth is reaching the point where now the
4 feeder lines need to be reinforced.

5 In Utah County we've had to reinforce
6 feeder line 26, I believe it was. This year we have
7 to reinforce the feeder line that's going down State
8 Street. Those costs are not included in the line
9 extension policy. The cost of feeder lines are
10 picked up by all customers, and if the Company gets
11 to a point where the pressure from those investments
12 require a rate case, then we will come in and,
13 obviously, file a rate case to recover those costs.

14 MR. GIMBLE: Could I just add a little
15 bit?

16 CHAIRMAN CAMPBELL: Yes. Really, the
17 question is to you.

18 MR. GIMBLE: In terms of the line
19 extension policy in the last rate case, I just wanted
20 to clarify something for the record. It was
21 increased from, I think, roughly \$505 to, I mean,
22 \$656, something in that order. I think the Committee
23 filed testimony recommending even a larger increase,
24 and I believe Darrell Hansen of the Division filed
25 testimony why we needed to go all the way to the full

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1 cost of service.

2 What was presented to the Commission was a
3 negotiated settlement on that point, but the
4 expectation was that we would have had another
5 Questar -- we anticipated having another Questar rate
6 case by now where we could further, in kind of a
7 step-wise fashion, adjust that line extension charge
8 upwards.

9 CHAIRMAN CAMPBELL: Now, on the other
10 hand, the policy underlying not going fully is your
11 average costing argument, which the Commission
12 understands clearly. And I guess that leads me to my
13 next question as it deals with what you've written
14 about average costs. At the time the GSS and EAC
15 rates were established, the Commission already was
16 using average costing methodology, and so this was
17 something that was felt to be in addition to that. I
18 mean, it's not like all of a sudden, since these
19 rates were put into place, we've discovered average
20 costing.

21 So I guess my question is: In your
22 testimony on line 6 versus 38 through 41, where you
23 say: "Deviations from average rate-making should only
24 occur in circumstances where the cost of serving a
25 subset of customers are known and measurable,

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1 significantly higher than the average cost on which
2 rates are based." Isn't that exactly why the EAC and
3 GSS rates were established?

4 MR. GIMBLE: Yeah, but I'm going to go
5 back to a point I've tried to make a couple times.
6 In terms of those -- I will call them incremental
7 rates, above the standard GS-1 tariff, in terms of
8 the design of those rates, they were based on cost
9 estimates.

10 Unfortunately, the Commission, and
11 unfortunately the parties, didn't make arguments with
12 the Commission that those should be periodically
13 reviewed to see how the rates match up against the
14 costs.

15 CHAIRMAN CAMPBELL: And I have a question,
16 but I believe Commissioner Boyer told me this morning
17 he wanted to explore that area, so I'm going to leave
18 that alone. But it does pose the question -- you'll
19 have additional questions, I think, in that area.
20 Let me go to Commissioner Allen.

21 COMMISSIONER ALLEN: Thank you. Earlier
22 today, Mr. Robinson, when you were talking about --
23 you were clarifying what the customers agreed to and
24 what they didn't agree to, it occurred to me when we
25 asked the question what has changed in terms of just

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1 and reasonableness. I'm curious, now that these have
2 been in place for awhile, this EAC and GSS in place
3 for awhile, are customers clear? Did the Company get
4 complaints? Did the task force uncover any
5 underlying difficulties with complexities in bills,
6 those kinds of issues?

7 We heard about complaints of higher rates,
8 but are you saying more and more people are confused
9 about the nature of their bills and where this is
10 coming from, or are people pretty clear in these
11 areas about what's going on? Especially as they move
12 and transition.

13 MR. ROBINSON: I'm not aware of complaints
14 regarding the complexity or the misunderstanding of
15 the bills. I think the customers in these areas
16 understand they're paying higher rates, and the
17 complaints are more in that regard than they are that
18 they don't understand why they're paying higher
19 rates.

20 COMMISSIONER ALLEN: Thank you.

21 CHAIRMAN CAMPBELL: Commissioner Boyer?

22 COMMISSIONER BOYER: Well, at the risk of
23 muddying the waters further, I do have a few
24 questions. First of all, my first question, though,
25 is to counsel for the proponents, and putting this
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1 proceeding in its procedural context. The docket was
2 opened within an application to eliminate the GSS and
3 the EAC rates. We treated it as though it were going
4 to be a contested proceeding.

5 And then at some point during the course
6 of that proceeding most, but not all, of the
7 interested parties entered into the stipulation. And
8 the reason we're here today is to consider the
9 stipulation. And it seems to me that our range of
10 options are to approve the stipulation, reject the
11 stipulation, or perhaps tinker with the stipulation.
12 I'd like to get counsel's reaction to that range of
13 alternatives. Are there more that I haven't thought
14 of? Ms. Bell?

15 MS. BELL: I think that is about the
16 range. You can reject the stipulation, and if you
17 do, I believe that the application before you is
18 still before you. If you approve the stipulation,
19 obviously then we go forward. And I forgot what your
20 third option was.

21 COMMISSIONER BOYER: That we tinker with
22 some of the terms and conditions of the stipulation.

23 MS. BELL: Yes. You have, certainly, the
24 discretion to maybe require that or encourage the
25 parties to go back and do that.

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1 COMMISSIONER BOYER: However, if we do
2 that, the stipulation has that general savings clause
3 in there that allows the parties to withdraw if we
4 change any of the terms or conditions.

5 MS. BELL: Correct.

6 COMMISSIONER BOYER: Mr. Ginsberg?

7 MR. GINSBERG: I've never quite understood
8 what "withdraw" means, since the proceeding would
9 still be pending before to you decide it on its
10 merits. And we've already presented all the evidence
11 that we have to present, and the evidence is
12 specifically how to address the proceeding. So it
13 seems to me that the Commission ultimately is free
14 to, at some point, to decide this on its merits
15 however they handle the stipulation.

16 COMMISSIONER BOYER: But in terms of due
17 process, would we have -- is it your opinion that we
18 would have the opportunity to decide the case on its
19 merits outside of the stipulation without further
20 proceedings, where the parties haven't been notified
21 that that's what we're doing?

22 MR. GINSBERG: I think the parties would
23 have the opportunity to do something else at the
24 hearing, but I'm not sure what we would do, since
25 we've already had the hearing where, you know, we
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1 might have questions for each other and everyone.
2 But I'm not sure what else would actually take place.
3 There might need to be an opportunity for somebody
4 else to want to do something, but I'm not sure what
5 that would be.

6 COMMISSIONER BOYER: In other words, we
7 could fulfill due process requirements by allowing
8 other opportunities for parties to either file
9 testimony or file motions, that sort of thing?

10 MR. GINSBERG: I think as long as you give
11 the parties the opportunity to say what they want to
12 say, I think you've pretty much met any due process
13 requirements.

14 COMMISSIONER BOYER: Ms. Bell, you wanted
15 to say something further?

16 MS. BELL: I just maybe would like to
17 clarify. I believe -- and you can correct me if I'm
18 wrong, other counsel -- but we all reserve the right
19 to cross the merits of the testimony that was
20 presented in the hearing. And on that date, we
21 reserved that right because we also knew we were
22 going to convene into a settlement discussion, but
23 did not waive that opportunity. And I believe that
24 if you did not approve the settlement, we would still
25 have that right.

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1 COMMISSIONER BOYER: Thank you.

2 Mr. Proctor, did you have any reaction to
3 that question?

4 MR. PROCTOR: Yes, thank you. This matter
5 has come before you in a little different status as
6 in the normal stipulation. There has been a hearing
7 on the merits, which occurred on February the 8th.
8 Ms. Bell's recollection is that we reserved
9 cross-examination. I think there was even some
10 discussion of waiving cross-examination.

11 But you had heard testimony, you received
12 into evidence written, prefiled testimony, and those
13 witnesses had been cross-examined, and there have
14 been two public hearings. Now you've received
15 additional testimony pertaining to the stipulation.
16 However, the case originally embodied in the
17 application is still before you. And I would say not
18 that you may decide it; I would say you must. This
19 Commission has the obligation to decide cases. You
20 may not refuse.

21 CHAIRMAN CAMPBELL: Without further
22 proceedings?

23 MR. PROCTOR: Well, I think you could find
24 that the record may be closed, and considering all
25 the evidence that you have received, including that

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1 today, you could craft a decision upon the
2 application. It would inherently mean that you're
3 rejecting the stipulation. But the savings clause,
4 which permits parties to withdraw from the
5 stipulation, I think, isn't intended to be a
6 restriction on your jurisdiction or authority to make
7 a decision upon the case before you.

8 So -- and whether or not any parties would
9 believe that additional evidence is necessary, or
10 whether mere argument, either in writing or orally,
11 on all of the evidence that you're going to decide
12 would be necessary, I mean, that would be entirely up
13 to you.

14 COMMISSIONER BOYER: Thank you. And
15 please don't read anything into our questions,
16 because I don't think, I mean, I'm sure that none of
17 us has decided how we're going to decide this case,
18 because it's -- the answers are not self-evident, I
19 don't think. Maybe some of you think they are, but
20 it's a difficult issue.

21 But let's throw out this hypothetical.
22 Say, for example, we approved the elimination of the
23 GSS and EAC rates, but rejected the portions of the
24 stipulation dealing with spreading those costs over
25 all ratepayers. I think that's within the range of
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1 our options that we have. Would you agree to that?

2 MR. PROCTOR: For the Committee, yes.

3 MR. GINSBERG: Yes.

4 COMMISSIONER BOYER: And then here's the
5 tough question, then, for the Company, and probably
6 Mr. Robinson would have to answer this. If we were
7 to do that, then, would the Company exercise its
8 rights under that savings clause and withdraw from
9 the motion? That is to say, if we were to do that,
10 that would leave the cost recovery issue for
11 disposition in a rate case, in essence. I'm catching
12 you off guard, I know, totally.

13 MS. BELL: I'm sorry, Commission Boyer. I
14 don't think I heard the entire question. Can you
15 restate it?

16 COMMISSIONER BOYER: My question was:
17 Hypothetically, if we were to approve the elimination
18 of the GSS and EAC rates, but not the portions of the
19 stipulation spreading the lost cost recovery, if you
20 will, or the deficiency, over all ratepayers, would
21 the Company then exercise its option to back out of
22 the stipulation and advocate for a full hearing on
23 the merits?

24 MS. BELL: Yes, we would.

25 COMMISSIONER BOYER: This is for Mr.
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1 Gimble, and it's probably not fair, because the idea
2 came to me based on my reading of Mr. Proctor's legal
3 brief and his legal memorandum. But I understand the
4 difficulty in calculating, at least with respect to
5 the GSS rate, how much has been paid, how much
6 remains to be paid, and whether certain communities
7 have overpaid or underpaid or will never pay, and
8 that sort of thing.

9 But mention was made of the fact that the
10 distribution non-gas costs have increased over time,
11 whereas some of these customers are paying double the
12 DNG. Do we have any information on the record as to
13 what the extent of that would be? I mean, is it
14 possible, because of that and the increases, and that
15 compounded by being doubled to some customers, that
16 some of these communities have paid more than we may
17 think they have?

18 MR. GIMBLE: That's a possibility. We
19 haven't prepared any kind of analysis, or analysis in
20 terms of an exhibit, to demonstrate that, though, at
21 this point, but it could be provided as a late-filed
22 exhibit.

23 COMMISSIONER BOYER: Anyone else wish to
24 comment on that? Mr. Robinson?

25 MR. ROBINSON: Well, first of all, the DNG
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1 rate changes during this period of time have not been
2 significantly high, plus the biggest problem in these
3 GSS areas is not that we don't have the number of
4 customers in these areas, but that their usage has
5 not materialized to the level that we expected when
6 we first went to those areas. Whether they have been
7 slow to convert their furnaces over, or whatever
8 reason, the usage in these areas is not as high as
9 what we expected.

10 So even with the rate increases that we've
11 seen, I wouldn't expect that these communities would
12 have paid what we expected when we first ran the
13 systems.

14 COMMISSIONER BOYER: Thank you.

15 Aside from the accounting nightmare -- and
16 this is for the witnesses, this question -- this
17 might present, would it be possible to do an
18 accounting on a municipality-by-municipality basis
19 and find out exactly where we stand? I think that
20 would be possible in the EAC rates. Would that also
21 be possible in the GSS-rated communities? So that we
22 can find out, for example, that Beaver has not yet
23 retired the cost of extension, but perhaps some other
24 cities have.

25 MR. ROBINSON: Well, the EAC areas, we do
26

1 know where they stand, and there's an exhibit that
2 presents that.

3 COMMISSIONER BOYER: Right.

4 MR. ROBINSON: As far as doing this
5 community by community, I'm not sure how we would do
6 that. The 20-year GSS off of Kern River was
7 basically one system. One analysis was done for that
8 for all of those communities coming off Kern River.
9 The Elmo and Cleveland was a separate docket.

10 But I'm not sure that you could go back to
11 the original case and say Beaver had this portion of
12 the requirements and Delta had this portion. That
13 would be a very difficult thing to do. That's not
14 the way the analysis was put together in the first
15 submission.

16 COMMISSIONER BOYER: I understand that.
17 Anybody else wish to comment on that? Mr. Gimble or
18 Mr. Barrow? I think Chairman Campbell may want to
19 follow up with a question also.

20 CHAIRMAN CAMPBELL: Mr. Barrow was going
21 to answer that question.

22 COMMISSIONER BOYER: Oh. Thank you.

23 MR. BARROW: I was just going to respond
24 to your question in that regard, and that perspective
25 of that question that you just asked was one of the

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1 main concerns the Division had when we looked at the
2 GSS rates, was the fact that we just don't know
3 whether the GSS are doing what they were designed to
4 do.

5 And from the Division's perspective, we
6 feel that because of that, there's that unintended
7 consequence that may be occurring, that they're
8 really not recovering those costs. I think Chairman
9 Campbell, you know, brought up the question about
10 what we do. You know, we're allowed to look at
11 forecasts or estimates to base our costs on. We are,
12 but we also get reports from the Company which show
13 how they're doing based on that forecast, how those
14 rates are recovering those costs. With respect to
15 the GSS, we do not get that information. We do not
16 know what the GSS rates -- whether they are
17 recovering their costs or not.

18 With the EAC, with regard to the EAC,
19 those people are totally dependent on others. They
20 need to have participation from the other people in
21 the area to help them pay that off. If they don't
22 get that participation, they will not pay it off, the
23 way the rates were set up.

24 CHAIRMAN CAMPBELL: And that's the
25 troubling part of this whole docket, is not knowing,
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1 not having numbers and not having the ability to
2 understand the status of these communities. So I
3 agree with you that we don't know. But, I guess, am
4 I wrong to say that the only testimony we have on
5 this point is Mr. Robinson's testimony where he says:
6 "Growth did not occur as originally projected, and is
7 not likely to occur in the future."

8 So while we don't know the numbers, the
9 only testimony we have on this docket is it didn't
10 grow like we thought it would, which suggests
11 completely an opposite outcome than what the
12 stipulation is reporting.

13 MR. BARROW: Well, I think in our task
14 force reports, those reports that were filed as part
15 of the original application, the task force did cover
16 that to some extent, realizing that because we just
17 don't know what's happening with the GSS rates, are
18 they really doing what they recovered? We don't know
19 that.

20 So I guess the perspective of the task
21 force was if we continue for 20 years, are we going
22 to know any more information after 20 years than what
23 we know now? Are they really going to recover those
24 costs? We said we don't know. And because of the
25 main issue that was brought up by the communities
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1 involved because of the impairment to economic
2 development, as a Division we looked at it and said
3 well, weighing that against their main issue, because
4 we don't know that they're really recovering, let's
5 just eliminate them and wipe the slate clean and
6 figure out another way of doing something, because we
7 just feel like the method that was set up, where we
8 don't know whether this is really working, why
9 continue it?

10 MR. GIMBLE: If I could add?

11 CHAIRMAN CAMPBELL: Yes.

12 MR. GIMBLE: I think that's quite
13 different, I think, and I agree with Mr. Barrow in
14 terms of, you know, there's a question mark in trying
15 to match up the cost and revenues. We've made that
16 point several times. What's different, with respect
17 to what we have here, with respect to, for example, a
18 rate case setting, a traditional cost-of-service
19 study, we have some idea of how the residential class
20 is performing, how the small commercial class is
21 performing, how the large industrial class is
22 performing, irrigators.

23 And we can make adjustments to those rates
24 to bring them closer to the cost of service so that
25 revenues are sufficient to recoup costs. So I just
26

1 wanted to, you know, compare and contrast that
2 situation.

3 COMMISSIONER BOYER: So I think the answer
4 I heard to my original question was it might be
5 possible to calculate, on a municipality-by-
6 municipality basis, where exactly we stand, but it
7 would be onerous. It would be very, very difficult.
8 Is that correct?

9 MR. ROBINSON: Yeah, but it would be
10 difficult. Can I make another comment?

11 COMMISSIONER BOYER: Please, Mr. Robinson.

12 MR. ROBINSON: I think it's important to
13 note that when these GSS rates were established, it
14 was not contemplated that there would be a truing-up
15 or a tracking of the revenues versus the costs, and
16 so that's why that hasn't been accomplished. I know
17 it's frustrating for everyone in this case that there
18 aren't a lot of numbers and analysis to -- like there
19 are in other cases that we look at.

20 I think we need to go back to how this
21 case came about. This was not brought up -- this
22 issue was not brought up by the Company nor by the
23 Division or the Committee. I think us three parties
24 were probably content to continue on and let these
25 rates be charged until the time periods that were

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1 originally established.

2 It was you, the Commission, that asked us
3 to get together and realized that there was an issue
4 here. You asked us to get together and attempt to
5 inform you of the options available to you and what
6 the best approach was at this point in time going
7 forward. That's what we did as a task force. These
8 are not easy questions. There's no cut-and-dried
9 answers like there are some in some other cases that
10 we looked at.

11 But as a group we have gone through this
12 analysis, and as a group we have stipulated that, on
13 a going-forward basis, the correct thing to do is to
14 remove these rates at this time. And it's not like
15 we can go to an exhibit and say, "Okay, these
16 customers have paid everything that they said they
17 would pay." It's you, as a Commission, that needs to
18 wrestle with this decision of have they paid enough.
19 Have they paid sufficiently that at this point in
20 time it's fair to remove these rates from these
21 areas? As stipulating parties, we've already come to
22 that conclusion.

23 COMMISSIONER BOYER: All right, then, the
24 basis for those questions or my last question was,
25 you know, where are the numbers? I wish we had some

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1 numbers that we could base that on rather than just
2 on the opinion of the parties or feelings or senses
3 that the parties have. But nonetheless, in view of
4 the fact that we do have better accounting on the EAC
5 customers, is there any rationale by which we should,
6 could or should, treat the two classes of customers
7 differently, GSS versus EAC? We could determine
8 where the EAC customers stand in terms of repayment
9 of the cost of the extension. Mr. Gimble, let's
10 start with you.

11 MR. GIMBLE: I think it goes to the
12 argument in my testimony relating -- or my third
13 factor that I discussed in my overview, that in terms
14 of how the EAC has unfolded over the years, you've
15 had differential rate impacts on the customers in
16 those EAC communities just because of serendipity.

17 I mean, you've had unforeseen
18 developments, community by community, that leave some
19 paying off in advance, some paying off, apparently,
20 it looks like on schedule, and then some communities,
21 for example, such as Brian Head, who may never pay
22 off. And so I think you get into, you know, maybe --
23 and I go into maybe borderline legal terminology
24 here -- but, you know, discriminatory impacts across
25 those communities in terms of the customers that are
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1 paying those EAC charges.

2 CHAIRMAN CAMPBELL: Since you made that
3 statement, I've got to follow up. Is it
4 discriminatory for people to pay their costs when the
5 cost-causer pays? Isn't that the very basis of our
6 line distinction policy, that everybody is granted
7 this allowance, but if someone has, on top of that,
8 \$1,000, that's what they pay? If someone has \$1,500,
9 that's what they pay? I mean, that's not
10 discriminatory, is it?

11 MR. GIMBLE: It may be from the standpoint
12 that, I mean, if there's an expectation that, you
13 know, that a customer's going to pay over -- pay
14 15 years, but because of chance events, like the
15 development of Snowbasin in Ogden Valley, they end up
16 paying, you know, maybe half of that, is that fair
17 to, you know, a customer down in Panguitch that is
18 more on track to pay, you know, that full amount and
19 make that extra contribution, whether it be, you
20 know, \$20 a month, \$25 a month or \$30 a month?

21 CHAIRMAN CAMPBELL: I understand the
22 questions around fair and what is fair, and everybody
23 gives, you know, a different opinion about that. I
24 just wanted to make sure I understand your viewpoint
25 on discrimination.

26

1 COMMISSIONER BOYER: We've talked a bit
2 about, you know, fairness and justness and
3 reasonableness of the rates, but in the cases
4 presently presented to us, isn't there going to be
5 unfairness to some class of customers regardless of
6 what we do, whether we accept or reject the
7 stipulation? Some will have paid their full
8 obligation for the extension costs, some will not,
9 some never will, whether we accept or reject?

10 MR. ROBINSON: The use of average rates to
11 all Utah customers always means that some customer
12 may say, "It's not fair, what I'm paying, because I'm
13 not paying my exact cost of service." That's an
14 ultimate result of using average rates to all
15 customers.

16 COMMISSIONER BOYER: That's a good lead-in
17 to my next question to Mr. Gimble, who really teed
18 this up. And you talked about there being a public
19 interest in having average rates for the same class
20 of customers, regardless of where they reside. Is
21 that public interest sufficient justification for
22 departing from cost conservancy? And if so, what are
23 the consequences, intended or unintended, of making a
24 determination like that?

25 MR. GIMBLE: I'm sorry, I was actually
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1 thinking about a response, thinking of the former
2 question. Could you please restate it?

3 COMMISSIONER BOYER: You talked about, in
4 your testimony, the public interest in having average
5 rates to the same class of customers regardless of
6 where they reside, that there's a public interest in
7 having that in terms of fairness and so on. Is that
8 public interest a sufficient justification for
9 departing from cost-of-service rates, cost causation
10 as Chairman Campbell has just talked about? And if
11 we were to adopt that policy, what are the
12 consequences of that kind of a determination in other
13 sorts of cases?

14 MR. GIMBLE: My answer would be yes. I
15 mean, we've got a situation -- I'm going to take a
16 typical residential customer in Panguitch. Not only
17 are they paying their EAC charge, whether that be \$20
18 or \$25 a month, I can't remember the exact amount,
19 but also, because we've had relatively faster growth
20 and a greater need to make investments across or
21 along the Wasatch Front corridor, they're supporting
22 that investment as well.

23 In terms of the percentage of each dollar
24 that they contribute to the Company, it goes to
25 support that investment. In addition to that, for
26

1 example, Gary was talking about, you know, looks like
2 we're going to have to invest in some feeder lines to
3 support the growth along the Wasatch Front. In
4 addition, they're contributing -- not only are they
5 paying their EAC, but they're also helping cover, if
6 there is a shortfall, I mean, I've estimated it at
7 \$2.5 million, associated with the standard line
8 extension rates.

9 So they're helping cover that shortfall as
10 well, and most of the growth in terms of that \$30,000
11 -- or 30,000 customers, the new customers who took
12 service under Questar's tariff last year, they're
13 contributing to that as well.

14 COMMISSIONER BOYER: At the risk of
15 oversimplifying this case, I would summarize the
16 current status of this case as follows: There are
17 some areas that are remote in the State of Utah, so
18 remote that it would be uneconomic for the Company to
19 bear the cost of extending service to those areas.
20 And historically we've applied at least four
21 different approaches, based on my reading of the
22 material, to solving that, to making the cost-causer
23 pay.

24 One is paying upfront, obviously using
25 third-party monies, bonds or whatever. And each
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1 approach has its own three-letter acronym, and we
2 have the RCC and then we have the GSS and then the
3 EAC. And at least those last three approaches are
4 based on assumptions and projections, some of which
5 came to pass, some of which were underestimated, some
6 of which were overestimated assumptions on take rates
7 and growth, development of ski resorts and that sort
8 of thing.

9 But each of those approaches had certain
10 problems as well, as we now find some years down the
11 pike. Each present some degree of inequality or
12 disparateness of rates, unfairness, however you want
13 to call that. And now the parties, it seems to me
14 the parties, most of the parties, except for
15 Mr. Ball, have come to us saying, "Look. It's not
16 working as we anticipated. There are all of these
17 aspects of unfairness and unreasonableness, and we're
18 just tired of it. And we want to stop here, put an
19 end to it, spread those costs over to the general
20 ratepayers, the uncovered expansion costs, and, going
21 forward, use a different approach altogether."

22 Is that sort of a fair summary of where we
23 are in this case at this point, or have I misstated
24 it? (Pause) Nobody wants to answer. I must be way
25 off base on it. Or I'm absolutely correct.

26

1 MR. ROBINSON: Only that I don't think we
2 all just got together out of the goodness of our
3 hearts. We got together because you asked us to get
4 together.

5 COMMISSIONER BOYER: And I don't mean to
6 impugn you, and I hope you don't take my questions
7 about, you know, the lack of accounting and numbers
8 as disparaging your intentions. I understand that
9 everybody went into this with the best of intentions.
10 But our problem is that I keep coming back to these
11 aspects of unfairness and so on, and why they have
12 occurred, and we're going to sort of exacerbate them
13 either by accepting the stipulation or rejecting the
14 stipulation.

15 Let's move on to another area. I think
16 again Mr. Gimble talked about, in your earlier
17 testimony, about cross-subsidization. And in that
18 you made the point that since growth has been much
19 more dramatic in urban areas than in rural areas,
20 it's certainly possible that some of these rural
21 communities have been, in fact, subsidizing the
22 growth in the urban areas.

23 And I know there are difficulties in
24 calculating that, because, for example, it may cost
25 less to serve the 300 or 200 condominium units next
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1 door to us than to bring service to a community of
2 200 people and that sort of thing. Do we have any
3 evidence on the record as to whether that actually
4 has occurred? I mean, it seems reasonable to me that
5 that may have occurred, but we don't have any numbers
6 on that. Do you track that? Would the Company track
7 that kind of information? Let's ask Mr. Robinson.
8 He's raring to go here on this.

9 MR. ROBINSON: Can you repeat that again?
10 Not quite raring.

11 COMMISSIONER BOYER: Mr. Gimble raised the
12 possibility that rural customers may, in fact, have
13 been subsidizing urban customers because the growth
14 is here, and we're all paying more or less average
15 rates, and so some portion of their rates is probably
16 going to extend service to Draper and these areas of
17 higher -- even in northern Utah, Utah County, Davis
18 County. Do we have any feel for whether that's
19 occurred or it's not occurred?

20 And I mentioned that there are
21 difficulties in calculating that because it costs
22 different amounts to serve different customers,
23 depending on where they're situated, relative to
24 existing infrastructure.

25 MR. ROBINSON: Right, and there are no
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1 numbers that any of the parties have put together to
2 justify that. But I do remember talking about this
3 very issue in the February 8th hearing, and as I
4 stated before, the costs of feeder lines which have
5 been required to serve the western part of Salt Lake
6 County and the feeder line upgrade that we had to do
7 in Utah County and the feeder line upgrade that we
8 had to go down 33rd South and the feeder line that is
9 going down State Street, all of those are -- the
10 costs of all of those are being covered by all
11 customers in the state, including those in the
12 extension areas.

13 COMMISSIONER BOYER: Would anybody else
14 wish to comment? I guess not. Okay.

15 CHAIRMAN CAMPBELL: Let me follow up with
16 Mr. Gimble. In your testimony, did you consider the
17 density issue that, absent the feeder lines, let's
18 just take it off the table for a minute, absent the
19 feeder lines, that the Wasatch Front is likely more
20 dense than rural areas, and, therefore, even if the
21 growth is here, because of the density, it's cheaper
22 to put a new customer on the Wasatch Front than it is
23 in a rural area? Did that go into your analysis as
24 you did that?

25 MR. GIMBLE: It did, and that's a good
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1 point, you know, that you're raising. But still, you
2 know, there is the fact that, I mean, I don't think
3 you can just single out, you know, one area in the
4 state. Everybody's contributing, you know, to, if
5 you will, one big pot in terms of the investment
6 that's necessary to create Questar's infrastructure.

7 COMMISSIONER BOYER: Your point is that
8 there is always cross-subsidization to some extent?

9 MR. GIMBLE: Yeah. And I guess I have a
10 little bit of a problem or concern, I guess, with the
11 word "cross-subsidization." I would say
12 "contribution." Because we use, you know, an average
13 price, average cost pricing method, that's just the
14 way it works. Now, if we use an incremental
15 cross-pricing method, there's some kind of vintage
16 pricing methods, then maybe customers across the
17 Wasatch Front would be paying higher rates to meet,
18 you know, the growth in this area.

19 COMMISSIONER BOYER: Another one of those
20 areas in which we wish we had some true facts, as
21 Commissioner Allen talks about, and some numbers.
22 Let me finish with two questions for counsel for the
23 proponents, and the first relates to precedent. You
24 probably noticed that within the last -- at least the
25 last three or four years that I've been around, the
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1 Commission, on issues of subsidization, if you will,
2 or social kinds of programs, we have tried to
3 consistently base our decisions on principle, the
4 principle, main principle being that these programs
5 have to be cost effective; that the benefits outweigh
6 the costs. HELP would be an example that comes to
7 mind. If we approve this stipulation on the basis,
8 for example, that the effects on average ratepayers
9 is de minimis, 15, 16 cents a month, does that set a
10 precedent for other subsidization of social problems
11 that may come before us? Or are these
12 distinguishable differences or distinctions with
13 differences? (Pause) Don't all speak at once. Ms.
14 Bell?

15 MS. BELL: Certainly the language would be
16 looked at as a precedent in a future case, but it
17 would also be distinguishable depending on the facts
18 of that future case. So I think it's a little bit of
19 both.

20 But I think -- I don't think you are
21 necessarily narrowed in to a finding here that is de
22 minimis that will be used against you in a future
23 case. I think certainly the parties can argue that
24 that is a factor, if in here you found it was de
25 minimis, so in a future case they may also say we
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1 have similar facts, so you should find that it's also
2 de minimis.

3 COMMISSIONER BOYER: So you're saying that
4 if someone were to come with a very laudable program
5 that would benefit some segment of society that cost
6 ratepayers no more than 16 cents per month per
7 customer, we wouldn't be bound by saying -- by this
8 precedent?

9 MS. BELL: Not if the facts were different
10 enough where you could say, "Well, in isolation,
11 that's a different story, a different factual
12 situation entirely than what we're asking you to do
13 here that costs essentially 15 cents to customers."

14 CHAIRMAN CAMPBELL: Mr. Gimble, when you
15 answer this question, could you answer it also as it
16 relates directly to HELP? The Division has a
17 position on HELP, and the question is: Would it
18 change your position on HELP if now you increase it
19 another 16 cents?

20 MR. GINSBERG: Strikes me that any time
21 you make a decision as to a program like HELP, or
22 something like this, you have to look at it with
23 respect to whether eliminating the tariffs here has a
24 reasonable nexus with respect to the reasonable
25 rate-making objectives that you take into account in
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1 deciding how to set just and reasonable rates.

2 And it strikes me that there is a
3 distinction between a program like HELP as to the
4 basis to find that reasonable nexus. And here, where
5 you're talking about for a variety of reasons, some
6 of which may be closer to the HELP program than
7 others, but I think there's, significantly, other
8 reasons here why you would take the action that
9 you're being asked to take to eliminate those rates.
10 So it strikes me that each one sort of has to be
11 looked at on its own, and that although this might
12 arguably be some type of precedent for a program like
13 HELP, seems to me that there is a clear distinction
14 that can be found between the reason to get rid of --
15 a proposal to get rid of the GSS and EAC rates here
16 and the adoption or continuation or even expansion --

17 COMMISSIONER BOYER: But would it be a
18 precedent if -- pardon me for the interrupting.

19 MR. GIMBLE: -- of a program like HELP.

20 COMMISSIONER BOYER: But would it be a
21 precedent if some other community, some other remote
22 community came to us and said, "Yes, we want natural
23 gas service for whatever reasons, economic reasons,
24 economic development reasons, so on and so forth.

25 And you only made these communities pay X percent of

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1 the cost of the extension, and we want the same
2 treatment."

3 MR. GINSBERG: I don't think it would be
4 precedent. I think you make those decisions every
5 day in rate cases and in other types. Line extension
6 is a good example. In the last rate case, changes in
7 the line extension policies so that any new customer
8 will pay differently than the old customers, and that
9 could change again.

10 I think the key is that all customers who
11 are similarly situated on a going-forward basis are
12 paying similar types of rates, non-discriminatory
13 rates. I don't see where that community would have
14 some type of claim of discrimination when you
15 eliminate those programs and have a new tariff in
16 place that sets a different mechanism for allowing
17 new communities to hook on to their system.

18 CHAIRMAN CAMPBELL: Thank you. Mr.
19 Proctor, did you want to weigh in on this question?

20 MR. PROCTOR: Yes, thank you. I think you
21 have to look at the various groups of customers
22 throughout the state that are subject either to the
23 expansion area into an existing community, because
24 that's what we're dealing with. We're not dealing
25 with a new development, as opposed to GS-1 customers

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1 generally, and trying to determine, are we really
2 talking about a social program here, or are we
3 talking about utility rates?

4 Now, in March of 2005 when the Beaver, Mr.
5 Adams, on behalf of his constituency, sent you a
6 letter, he had very reasonable, well-thought-out
7 concerns over economic development and the impact
8 that high gas rates, high utility rates in general,
9 would have on that community. And, of course, there
10 are many other reasons why that community may suffer
11 from a lack or low economic development.

12 In fact, the original reason for
13 investigating these rates was something that was of
14 concern on the Committee. And I think Mr. Adams
15 would be the first to acknowledge, and I certainly
16 would, that he and I did have discussions about
17 whether or not that was a reasonable thing to look
18 at. But over time, as you begin to analyze these
19 rates from a pure --

20 COMMISSIONER BOYER: Excuse us.

21 MR. PROCTOR: -- from a pure utility
22 rate-making viewpoint, which in one instance,
23 economic impact, and that would be rates, impact of
24 rates on the well-being of Utah. Not development,
25 but rates. Beginning to look at it from that

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1 standpoint, I think Mr. Adams would also be the first
2 to recognize that there are some utility rate-making
3 flaws with these rates.

4 And all you have to do is compare Brian
5 Head with Cedar City. And much of Brian Head, its
6 infrastructure, labor and so forth, would come from
7 Cedar City. Many of its skiers would come from Cedar
8 City, from Parowan, potentially from Beaver.

9 And yet the person who lives in Brian
10 Head, the business that operates in Brian Head,
11 whether it be the ski shop or the ski resort itself,
12 pays a substantially greater amount on an annual
13 basis than the person living in Cedar City. And it
14 may be the same person. And yet the decision by this
15 Commission to expand natural gas service throughout
16 the State of Utah was done for the same reason in
17 both of those communities.

18 Then if you look at another ski resort,
19 two ski resorts, Alta and Snowbird, they were
20 fortunate enough to have a -- to create a
21 governmental special service district that would
22 become the customer for the purpose of the
23 contribution in aid of construction. So the Snowbird
24 resort or the Alta resident has an obligation to pay
25 the special service district for those costs of

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1 extending gas service, but not Questar.

2 What the GSS and EAC rates did, because
3 they couldn't find a single entity to stand behind
4 the construction contribution, they, those rates,
5 required Questar to become a bank, a lender to each
6 individual customer, collecting that amount over
7 time. And that's where those rates just simply
8 diverted from the prior policy, the policy, by the
9 way, which is going to be resumed under the
10 stipulation, the new tariff, if it is, in fact,
11 accepted by this Commission.

12 As to the issue of the precedent, does
13 that stand for some precedent where another
14 community, Kanab, for example, can come in and
15 request that, "We're an existing community, and we
16 should only pay a small portion of our contribution
17 in aid of construction"? I think that if you look
18 back at each one of these, the Commission's
19 particular rulings or findings, they -- and the
20 precedential value is always severely limited to the
21 facts before it. You're not an appellate court.

22 Now, the Mountain States case applied to
23 PacifiCorp -- then Utah Power & Light -- and it also
24 applies here. But that's the Utah Supreme Court.
25 They have that authority. I think that, too, the
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1 distinction, the sameness between HELP and the GSS,
2 the expansion areas, to some extent exists in the
3 sense that it is an increase in rates for all
4 customers to pay somebody who's not paying anything.
5 Remember, it is much more of a charitable
6 contribution.

7 I hate to categorize it as such, but
8 nevertheless it is. Compare the low-income person
9 seeking HELP assistance in Beaver, or HEAT assistance
10 is more appropriate, in Beaver, where the federal
11 HEAT dollar is more than eaten up simply by the GSS
12 rate, the doubling of the DNG rate that that
13 low-income person in Beaver County is paying. So
14 it's a rate, from a social standpoint, that literally
15 wipes out any benefit that the Congressional
16 legislation would have upon a person to assist them
17 in paying winter heating bills. Is there a benefit
18 overall to that? I don't know that you can put a
19 number on it.

20 Does it establish precedent for all
21 ratepayers paying the entire cost of extending gas
22 service to Kanab? Definitely not. So I think you
23 have to weigh very carefully, as Mr. Ginsberg has
24 pointed out. Your decision would be based on
25 determining whether or not these expansion area rates
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1 are any longer just and reasonable, according to the
2 standards that the statute and the Supreme Court have
3 given you to use.

4 We've submitted our argument, and I'm not
5 going to repeat it, but I think they are quite
6 persuasive that, in fact, it doesn't have the
7 dangerous precedent that you speak of, and, in fact,
8 resolves a problem that has now come to the point of
9 where there is a discriminatory impact.

10 It's not so much whether one person pays
11 \$1,000 versus the other person who pays \$1,500. It's
12 do you have a uniform, fair and equal application of
13 the same policy? If the outcome is a causation of
14 \$1,000, you pay it. If it's a causation of \$1,500,
15 you pay it. But if the policy itself has inherent
16 discriminatory impact, that's when you have to take a
17 look at it. Thank you.

18 CHAIRMAN CAMPBELL: Thank you. Mr.
19 Ginsberg, did you want to add?

20 MR. GINSBERG: I was just going to say one
21 thing to also keep in mind, although it's more of an
22 ancillary point, is that generally when you approve
23 stipulations, they have very little precedential
24 value, where you're determining whether the
25 stipulation's a reasonable resolution of the dispute

26

1 in meeting the standards of approving a stipulation.
2 And often, by the terms of the stipulation, they try
3 not to have precedential value.

4 COMMISSIONER BOYER: Thank you. This is
5 my last question. I have a conference call I'm
6 supposed to be participating in. If counsel would
7 help me, if you would, to the extent it's necessary,
8 to harmonize the language of Utah Code Section 54-3-1
9 and 54-3-8.

10 The specific line I'm looking at is, in
11 54-3-1, is the language talking about the scope of
12 the definition of "just and reasonable." And it says
13 that: "Just and reasonable may include, but shall not
14 be limited to, one, the cost of providing service to
15 each category of customer." And we've had some
16 discussion of that issue. "Economic impact of
17 charges on each category of customer." It doesn't
18 say locality, but it says each class of customer.
19 And then the catch-all: "Economic impact of charges
20 and on the well-being of the State of Utah
21 generally."

22 And then when you turn to 54-3-8, the
23 preference statute, if you will, we're forbidden from
24 establishing "any unreasonable differences as to
25 rates, charges, services or facilities, either

26

1 between localities or between classes of service."

2 So which trumps which? Or are they harmonious, as
3 they read? Mr. Proctor?

4 MR. PROCTOR: They are harmonious. You
5 can have a just and reasonable rate that is also an
6 illegal preference or results in illegal prejudice.
7 A prime example would be if you were to make a rate
8 that would satisfy the majority of residential
9 ratepayers, in other words, any number over
10 50 percent, but at the same time cause 49 percent to
11 pay the same rate, that would be an illegal rate
12 because you are, in fact, preferring one, a majority
13 over a minority, even though they're for virtually
14 the same number.

15 The same thing can happen when you assess
16 a small number, 8,600, with a higher rate than the
17 majority. It may be just and reasonable. At one
18 time it was in this particular case. But now, given
19 the application of that rate and the way it was
20 calculated, it is also an illegal prejudicial rate or
21 an unreasonably different rate, based on geographic
22 locality. So I think they're very consistent, and I
23 think the Mountain States opinion clearly states that
24 they are to be read and applied together.

25 CHAIRMAN CAMPBELL: Thank you. Mr.

26

1 Ginsberg?

2 MR. GINSBERG: I agree. I think they are
3 harmonious, and I think the Mountain States decision
4 essentially says in this determining whether or not
5 you have reasonable differences, that you look at
6 what are the reasonable rate-making objectives for
7 the Commission to look at. And they pointed to this
8 54-3-1, maybe it wasn't 3-1 then, but basically
9 pointed to that, and even 54-3-1 isn't intended to be
10 an exclusive. It says, among other things --

11 CHAIRMAN CAMPBELL: "May include."

12 MR. GINSBERG: -- it can include many, many
13 other factors. Basically, for the Commission to
14 determine what those reasonable factors are to look
15 at, and obviously for the Court to review that. And
16 then in some instances the Court has said that those
17 aren't a reasonable nexus for setting just and
18 reasonable rates, like a tag line, when the Questar
19 bill went to the Supreme Court. Some will say they
20 are a reasonable nexus. So it seems to me the two do
21 harmonize with each other.

22 COMMISSIONER BOYER: Ms. Bell or Mr.
23 Monson, we haven't heard from you yet this morning.

24 MS. BELL: I would agree with what Mr.
25 Proctor and Mr. Ginsberg said. These two statutes

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1 should be read together, and I think Mountain States
2 did contemplate that. Mountain States didn't say
3 that you couldn't discriminate. You can
4 discriminate. You just have to have a rational basis
5 for doing that. And I think there was a rational
6 basis for setting up these rates for the expansion
7 areas. We determined that when we set up GSS-10, and
8 we made another determination with GSS-20, and then
9 we determined that if those rate mechanisms weren't
10 working and the outside our outlying areas were
11 putting pressure on the system and we needed to come
12 up with another mechanism, we determined that EAC at
13 that time was an effective mechanism to do that.
14 Those kinds of discriminations are allowed.

15 And now we're asking you to look at the
16 effects of all of that and figure out whether or not
17 we can come up with a proposal or compromise that
18 allows us to go forward and to relieve what the
19 results of those otherwise just and reasonable orders
20 have been. And I think that you're not precluded
21 from doing what we're asking you to do by either of
22 these statutes, and they should be read together.

23 CHAIRMAN CAMPBELL: Thank you. We're
24 going to adjourn until 1:30. Let me also, Mr. Ball,
25 I assume that you have questions for the witnesses.

26

1 MR. BALL: I may.

2 CHAIRMAN CAMPBELL: I'm going to ask you
3 not to duplicate anything we've said. If you have
4 additional, we're going to give you time to ask those
5 questions. All right, let's adjourn until 1:30.

6 (Recess)

7 CHAIRMAN CAMPBELL: Let's go back on the
8 record. I believe, Mr. Ball, we were going to turn
9 to you to address some questions you might have of
10 the proponents of the stipulation.

11 MR. BALL: I've decided to spare everyone
12 that agony, Chairman. Thank you.

13 CHAIRMAN CAMPBELL: All right, thank you.
14 Then we will move to redirect and go to you first,
15 Ms. Bell.

16 MS. BELL: Yes. I just have a few
17 questions for Mr. Robinson.

18 REDIRECT EXAMINATION

19 BY MS. BELL:

20 Q. Mr. Robinson, there's been some discussion
21 about these rates being just and reasonable, and in
22 particular, I think we need to look at the revenue
23 requirement and the impact of these changes on the
24 revenue requirement. Could you address that for us,
25 please.

26

1 A. Yes. First of all, I'd like to point out
2 that there was some discussion about --

3 CHAIRMAN CAMPBELL: Ms. Bell's mike seems
4 to be working. Why don't you pull that one to you
5 and we'll just try that one.

6 THE WITNESS: Okay. There was some
7 discussion about whether the -- well, let me say
8 this: There were some questions at the beginning
9 that you asked me about whether the rates were just
10 and reasonable. And I don't think that any of the
11 parties have disputed the fact that in the last rate
12 case, the total revenue requirement set in that case
13 was determined as just and reasonable, and nobody in
14 this docket has disputed that fact.

15 In that case, after the revenue
16 requirement was determined to be just and reasonable,
17 then there was a cost of service and rate design
18 portion of the case. There was a stipulation in that
19 case. And so the parties, the Division, the
20 Committee and the Company all agreed at that time
21 that the allocation of costs to the various classes
22 was also just and reasonable, and that the costs that
23 were allocated to the GS class included the expansion
24 area customers.

25 It was after that point, after the revenue
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1 requirement for the GS class was established, it was
2 then determined that these expansion areas would pay
3 a larger portion per customer of that revenue
4 requirement than the regular GS-1 customers. So it's
5 not a question, in our mind, that the revenue
6 requirement is just and reasonable. That's already
7 been determined. This is now just a rate design and
8 spread issue.

9 The other thing that I think I've pointed
10 out before is that there -- because all of the costs
11 in the '02 case were included in the revenue
12 requirement, there are no unrecovered costs
13 associated with these communities that the Company is
14 trying to recover. The costs are all included in
15 rates currently. So it's not like we're trying to
16 recover something that we haven't already included in
17 the rates.

18 There's also been some question about the
19 economic development versus other reasons for
20 justifying this. I wanted to just briefly quote from
21 House Bill 180, because in there, in the first part
22 of this bill, they did kind of itemize why they were
23 passing this bill. I'll just read this first
24 sentence.

25 "The extension of natural gas service to
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1 municipalities without natural gas is encouraged as a
2 means to assist economic development and to promote
3 the safety, health, comfort and convenience of
4 citizens residing in these areas."

5 So it's not just a question of economic
6 development, but safety, health, comfort and
7 convenience. All of those reasons are -- were the
8 reasons that we went to those communities in the
9 first place, and are the reasons today why those
10 rates should be removed.

11 Q. I think I just have one additional
12 question for you, Mr. Robinson. Isn't it true that
13 every time the Company looks at expanding its
14 service, it has had to balance the interests of
15 existing customers with those of the new customers
16 that want to come on to the system? And isn't it
17 true, going forward also, that that same sort of
18 balancing would have to occur?

19 A. Yes. It's been a constant struggle for
20 the Company since it first began. And I think
21 Mr. Ball pointed out in his testimony that, I mean,
22 when we first expanded to Provo, the question arose:
23 How are those customers in Provo going to pay for
24 their costs that are more than the customers that are
25 in Salt Lake? And so every expansion has had this

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1 same question, and we've struggled with it, and the
2 Commission has struggled with it. It's a balancing
3 act.

4 MS. BELL: That's all I have.

5 CHAIRMAN CAMPBELL: Thank you. Let me ask
6 a followup question based on that redirect. I
7 understand that the parties agreed that the revenue
8 requirement was just and reasonable in the prior
9 stipulation. In this stipulation we're adjusting the
10 revenue requirement by \$180,000; are we not? So in a
11 sense, the parties are telling us now that your
12 revenue requirement minus the \$180,000 is a just and
13 reasonable requirement as well; is that right?

14 MR. ROBINSON: Yes. I mean, we are
15 reducing rates by \$180,000 overall to some customers.
16 But there's not been a question by any party in this
17 case whether the revenue requirement that we're
18 collecting is just and reasonable. Just about who we
19 are collecting it from.

20 CHAIRMAN CAMPBELL: I understand. It is
21 clearly primarily dealing with perhaps what you'd
22 call rebalancing, but you are affecting the revenue
23 requirement in the stipulation, it's my
24 understanding.

25 MR. ROBINSON: Yes, by the \$180,000 to the
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1 industrial customers.

2 CHAIRMAN CAMPBELL: Mr. Ginsberg,
3 redirect?

4 MR. GINSBERG: I have no redirect.

5 CHAIRMAN CAMPBELL: Mr. Proctor?

6 MR. PROCTOR: We have no redirect. Thank
7 you.

8 CHAIRMAN CAMPBELL: Thank you. We'll now
9 go to Mr. Ball, who has provided testimony opposed to
10 the stipulation. Perhaps, Mr. Proctor, are you
11 comfortable doing that, or do you want me do it?

12 MR. PROCTOR: I'd be glad to do it.

13 CHAIRMAN CAMPBELL: Would you go ahead and
14 assist us in getting his testimony on the record.

15 MR. BALL: Why don't I just do it?

16 CHAIRMAN CAMPBELL: Let's have Mr.
17 Proctor.

18 MR. PROCTOR: Is that acceptable,
19 Mr. Ball?

20 MR. BALL: Sure.

21 DIRECT EXAMINATION

22 BY MR. PROCTOR:

23 Q. Would you state your name and your
24 business address, please, sir.

25 A. I'm Roger Ball, and my address is 1375
26

1 Vintry Lane, Salt Lake City, Utah, 84121.

2 Q. And it's my understanding that you're
3 appearing here today on your own behalf; is that
4 correct?

5 A. Yes.

6 Q. Mr. Ball, on March 14th of 2007 you filed
7 what was styled as Stipulation Testimony of Roger J.
8 Ball, consisting of eight pages, and a one-page
9 document entitled Roger J. Paul, Qualification and
10 Experience; is that correct?

11 A. Yes.

12 Q. And do you have any corrections or
13 amendments that you wish to make to either of those
14 particular documents?

15 A. Yes.

16 CHAIRMAN CAMPBELL: Hold on just a second.
17 Let me make sure we have that. We're now dealing
18 with the March 14th testimony? Is that the one that
19 you have reference to?

20 MR. BALL: Yes.

21 CHAIRMAN CAMPBELL: Okay. Please proceed.

22 MR. BALL: In my 14th of March testimony,
23 on page 6, lines 4 and 5, I said that the EAC rates
24 are too low, that they are subsidized by Questar's
25 other customers, and, therefore, that they are

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1 neither just nor reasonable. That statement
2 certainly applies to the EAC rates the Commission
3 approved under the legislative mandate of House Bill
4 180 for Panguitch, Oak City, Joseph and Sevier
5 Fayette, Cedar Fort, Brian Head, Newton and Clarkston
6 and Wales. Sorry, delete Newton and Clarkston and
7 Wales.

8 In the cases of Ogden Valley, New Harmony,
9 Newton and Clarkston and Wales, there wasn't the same
10 magnitude of explicit subsidy that Questar
11 subsequently wanted to give Panguitch customers at
12 the expense of customers at large, and that the
13 Legislature then required the Commission to approve
14 in House Bill 180. That doesn't mean that customers
15 in these expansion areas were not subsidized, but
16 they were subsidized -- but that they were subsidized
17 to a lesser degree, comparable to customers in the
18 GSS areas.

19 Q. And Mr. Ball, that would be an insertion
20 at the end of line 5 on page 6, as a completion of
21 that answer. Is that correct, sir?

22 A. I suppose.

23 Q. Also on March 14th, Mr. Ball, you filed a
24 Stipulation Position Statement.

25 MR. PROCTOR: And, Mr. Chairman, I'd ask
26

1 you to address whether or not you want that as a
2 matter of testimony.

3 CHAIRMAN CAMPBELL: No.

4 MR. PROCTOR: Okay, very well.

5 Q. (By Mr. Proctor) In addition, Mr. Ball, on
6 March 23rd, 2007, did you file a Stipulation
7 Supplementary Testimony consisting of 48 pages and
8 one exhibit consisting of two pages?

9 A. Yes.

10 Q. Do you have any corrections or amendments
11 that you wish to make to that supplementary
12 testimony?

13 A. Yes, please. On page 25 of my March 23rd
14 supplementary testimony, the language in footnote 74
15 is incorrect. It should be replaced with the same
16 language that appears in the preceding footnotes 72
17 and 73, but referring to page 2, item 5 of the Oak
18 City application.

19 Q. Do you have any other corrections?

20 A. No.

21 Q. Mr. Ball, if the questions that you
22 answered in the March 14th and March 23rd testimony
23 were asked of you today, would your answers be the
24 same?

25 A. Yes.

26

1 MR. PROCTOR: We would, on Mr. Ball's
2 behalf, offer into evidence the stipulation testimony
3 of March 14th, the qualifications and experience,
4 also of March 14th, and the supplementary testimony
5 of March 23rd, including Exhibit 1.

6 Mr. Ball, how would you like those marked?

7 THE WITNESS: I'd be happy if they were
8 marked Exhibit -- RJB Exhibit 1, 1.1, 2 and 2.1.

9 CHAIRMAN CAMPBELL: All right. So marked.

10 MR. BALL: Thank you.

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

12 CHAIRMAN CAMPBELL: Any objections to the
13 admission of Mr. Ball's testimony?

14 MR. PROCTOR: No objection.

15 CHAIRMAN CAMPBELL: All right, it's
16 admitted.

17 Q. (By Mr. Proctor) Mr. Ball, did you have a
18 summary of your testimony that you wish to give?

19 A. Yes, please.

20 THE WITNESS: Chairman, I have some
21 additions as well if I may be permitted to make them
22 at this time.

23 CHAIRMAN CAMPBELL: We are allowing live
24 rebuttal testimony. Go ahead.

25 MR. BALL: Regarding customer numbers, in
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1 its 2nd of March, 2007 response to the Utah Division
2 of Public Utilities Data Request 2.1, Questar Gas
3 Company reported that during January 2007, the
4 Company had \$821,534 unembellished GS-1 customers,
5 1,606 EAC customers and 7,072 GSS customers, a total
6 of 830,212.

7 To the table on page 3 of my supplementary
8 testimony on line 22, I would, therefore, like to add
9 in the first column 2007, and in the second, the
10 rounded number of \$830,000. And I've no reason to
11 suppose that the latter number will not continue to
12 increase as the year goes on.

13 With regard to balance of interests, the
14 Commission has heard of in this docket that although
15 a fundamental principle in utility rate-making is
16 cost causation, implicit subsidies are rife. Questar
17 and the Division are best able to say what is the
18 usual dollar amount by which current customers now
19 subsidize each new customer in the Company service
20 area. But at the time of the first Panguitch case,
21 the Division reported to the Commission that it was
22 \$69. Those same subsidies have been given to all the
23 customers in all the expansion areas.

24 The Division further calculated that
25 Questar wanted each potential Panguitch customer

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1 subsidized to the tune of \$4,153. The Stipulants
2 would like the Commission to believe that because of
3 part of general rates is to pay the cost of the
4 system upgrades to cope with the aging of the
5 infrastructure and growth in customer numbers in
6 present service areas, expansion area customers are
7 subsidizing existing customers.

8 The argument is hardly a powerful one.
9 There are 58,000 more customers in 2007 than in 2004,
10 more than six times as many as the total number of
11 customers paying GSS and EAC rates. They may not all
12 be living and working new premises for which they had
13 to pay a subsidized connection charge, but aren't
14 they all subsidizing previous customers, too?

15 Growth in overall customer numbers since
16 1990 has outstripped the number currently paying GSS
17 and EAC rates more than 40 fold. There are less than
18 9,000 GSS and EAC customers, compared with 90 times
19 that number in the Company's longtime service
20 territory. Clearly, the benefit to unembellished
21 GS-1 customers of any subsidy from expansion area
22 customers is proportionately small compared with that
23 from new customers in existing service areas.

24 Bear in mind that every new customer would
25 have to accumulate their subsidies to existing

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1 customers over months or years before it will balance
2 that \$69, at the time of Panguitch, whatever it
3 currently is, subsidy to each new customer from
4 existing customers before some kind of balance is
5 reached, and the new customers begin to not subsidize
6 the existing customers. And please bear in mind that
7 the Stipulants have entirely failed to provide hard
8 numbers to support their argument in this regard.

9 It should be borne in mind that the
10 utility, although not its affiliates, makes no money
11 on the commodity or supplier non-gas portions of its
12 rates. Its earning opportunity is limited to its
13 rate, its return on rate base. Therefore, the chance
14 to expand its infrastructure into previously-unserved
15 areas represents a significant profit opportunity for
16 Questar Gas Company.

17 That means Questar undertook the financing
18 of upfront changes for the GSS and EAC communities in
19 pursuit of a business opportunity. And if, for
20 example, Questar had been a car dealer, one of its
21 main businesses might be selling cars, but it
22 undertakes another business in financing customers
23 who want to buy those cars. But they're two rather
24 separate, although related, business activities.

25 If some of those communities are now
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1 unable or unwilling to meet their obligations, it's a
2 matter between them and Questar, not one requiring
3 underwriting by ratepayers at large. If there is a
4 loss to Questar by default, the loss should be
5 Questar's, not ratepayers as large.

6 At the time in 1986 that the Company
7 proposed its southern system expansion, most of the
8 GSS and EAC areas affected by this application and
9 stipulation, and many others, too, were outside
10 Mountain Fuel's service territory. In other words,
11 the Company had no obligation to serve. The Company
12 sought the opportunity to serve those areas, and yet
13 has transferred much of the cost of doing so to
14 customers in its previously existing service
15 territory.

16 I believe that that's a significant issue
17 for the Commission to take into account in all of
18 this. It was to the utility's benefit and it was to
19 the rural communities' benefit, and it was to the
20 benefit of those living and operating businesses in
21 those communities for service to be extended. But
22 how did existing customers benefit? As far as I can
23 tell, there have been no representations at any point
24 over the years that they were to benefit at all, yet
25 they were to subsidize, by millions of dollars, those
26

1 extensions. And I'm talking about the difference
2 between the capital costs and what have frequently
3 been referred to as the upfront charges.

4 In other words, the difference, the gulf,
5 that existing customers were to pick up, amounting to
6 millions of dollars, were the footage allowances, or
7 whatever, of extending service.

8 It's worthwhile, and again, bearing in
9 mind that when Western Public Service Corporation
10 first brought natural gas service to the Wasatch
11 Front, there wasn't anybody. There were no existing
12 customers to offer any kind of a subsidy.
13 Presumably -- and I've seen nothing to either support
14 or discount this either, but I state as a
15 presumption -- rates were set on an estimated basis
16 much along the lines of the future test year
17 discussion that you had earlier, and were set to take
18 account of all the costs of drilling the wells,
19 collecting the gas, transporting it over the pipeline
20 300-and-some-odd miles from the wells to the Wasatch
21 Front, and then the distribution network.

22 I think that the Commission should also
23 think about the municipal system in Nephi. Nephi
24 chose, for whatever reasons, not to go with the
25 Questar system. It's fortunate that it was able to

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1 because it's very proximate to the Kern River
2 pipeline. But there was nobody to subsidize the
3 folks in Nephi in setting their system up, either.
4 All of these subsidies come about because of Questar
5 pursuing these business opportunities in these rural
6 areas.

7 For the next minute or two I'm going to
8 talk mostly about the EAC charges. But before I do,
9 let me just note that the fact is that the GSS rates
10 for the southwestern Utah expansion off the Kern
11 River, the 20-year GSS rates, and they're the ones
12 that we're primarily dealing with here in terms of
13 GSS rates, those were rolled-in rates.

14 Again, just to emphasize the point that
15 was made earlier on, all of the costs were taken
16 together for that expansion, and all of those
17 customers in those southwestern Utah communities were
18 charged the same 20-year GSS rate. There was no
19 distinction between the costs of serving particular
20 communities.

21 Now, Elmo and Cleveland are distinct from
22 that. They're not part of the southwestern Utah
23 expansion off the Kern River pipeline. There was a
24 separate justification for EAC rates for Elmo and
25 Cleveland, and for whatever reasons, the same 20-year

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1 GSS rates were adopted.

2 Questar decided, turning now to the EAC
3 rates, Questar decided what EAC rates it needed to
4 recover from each of the House Bill 180 communities.
5 And again, there's a distinction between the EAC
6 communities that were served under the terms of House
7 Bill 180 and those that were not. I mentioned them
8 earlier, and I'll refer to them again as I go along.
9 Part of the complaint in this case is that some of
10 the payment periods are now looking uncomfortably
11 long. I'd like to address that on a case-by-case
12 basis.

13 Exhibit 1.1 to Questar's application in
14 this docket was the Division's task force report to
15 the Commission in docket 05-057-T01. I'm going to be
16 referring to that exhibit. Exhibit 7 to the report
17 contained a pair of tables. This is the page that
18 follows those graphs showing recovery numbers of
19 customers, whatever they show. They're titled Update
20 of EAC Payoff Scenarios at Various Interest Rates.

21 Now, I should say that's not the title on
22 the chart, it's the title that's given in the list of
23 appendices to the task force report. I'm going to be
24 referring to figures in the second table, the one
25 titled EAC Payoff Analysis, Overall Cost of Capital.

26

1 And I would like to remind everybody that Questar
2 estimated its costs and service uptake to calculate
3 an EAC before telling the Commission how much it
4 wanted to set customers at large with.

5 The Company estimated that it could sell
6 service in Panguitch to 460 customers initially, 380
7 residential and 80 commercial, at a monthly EAC that
8 it -- Questar -- set at \$30, plus an increment, of
9 course, for each decatherm over 45 for commercial
10 customers. That's an element that's in all of these,
11 and I'm just not going to mention it again, but it
12 applies to all of them. In December 2004, about six
13 years on, Questar had only 422 customers in
14 Panguitch, so revenues have been below estimate.
15 Now, that's a perfectly normal commercial situation.

16 MR. GINSBERG: Commissioner, I hate to
17 interrupt, but I'm not sure that this is either a
18 summary or surrebuttal. I'm not sure what it's
19 rebuttal to. This strikes me as sort of entirely new
20 testimony that certainly could have been filed in his
21 48 pages that, as far as I know, didn't really
22 address what he's talking about now.

23 So I'm not sure how much more of this
24 is -- strikes me it goes well beyond the scope of
25 what this was intended to be, that's additional

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1 summary or response of testimony to what we filed.

2 CHAIRMAN CAMPBELL: I'm going to allow you
3 to continue. We will look at how it ties into your
4 filed testimony or the rebuttal of others. But
5 continue. I haven't heard enough to make that
6 decision, Mr. Ginsberg. Go ahead.

7 MR. GINSBERG: Okay.

8 MR. BALL: Thank you, Chairman.

9 Commercial businesses ordinarily estimate
10 what the costs and revenue profit opportunities of
11 commercial ventures are, and frankly, if they get it
12 wrong, the managers and stockholders carry the
13 freight for those areas. It appears that Panguitch
14 may pay off its obligation by September 2015, a
15 little less than after 17 years from starting. To the
16 extent its Panguitch customers feel upset by that
17 extension of time, their issue is with Questar, which
18 miscalculated.

19 If the Commission is persuaded these rates
20 are not just and reasonable, it's Questar's managers
21 and stockholders who should bear the financial
22 responsibility, not customers at large.

23 While the Oak City EAC is shown as \$20,
24 the Company agreed to put in an extra \$10 per
25 customer per month because of an error the Company

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1 had made. It isn't clear whether the August 2020 or
2 22-year estimated payoff date in the table includes
3 the QGC contributions in the "Paid So Far" column.
4 It isn't mentioned in the EAC "Per Month" column. If
5 it's not included, it should be, and the payoff date
6 recalculated. If it was included, the seven-year
7 extension of time is again Questar's responsibility.
8 It's clear that Questar thought \$30 a month was the
9 most they could get potential customers in any
10 community to pay, so why did they calculate the
11 people in Joseph and Sevier only needed to pay \$20?
12 I don't know.

13 I recommend that the Commission ask the
14 Company and Division, which supported the application
15 in that case, if they charged a \$30 EAC, what would
16 the payoff date look like now? Similar arguments
17 apply to Fayette, where the charge was set at \$28,
18 and payoff, looks like, taking 17 years. If they
19 charge \$30, what would the payoff date look like?

20 For Newton and Clarkston, it's much the
21 same story, but the EAC was set as low as \$16.50.
22 Wouldn't a higher charge, but one still less than
23 \$30, have been able to pay off within 15 years?
24 Significant errors of judgment were clearly made in
25 the case of Brian Head. Either the costs were

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1 greatly underestimated or the uptake of service was
2 greatly overestimated. Either way, Questar made the
3 estimates, and the consequences should be Questar's
4 responsibility, not customers at large.

5 I'd point out to the Commission that the
6 original balance for Brian Head was comparable to the
7 original balance for Panguitch, but the expected
8 number of customers was, I don't think, ever as many
9 as even half of the expected number of customers at
10 Panguitch. So I have no idea how the Company ever
11 really thought, or how the Division came to the
12 conclusion that the EAC for Brian Head would ever pay
13 off.

14 It's interesting to note that not only did
15 Ogden Valley, with its unexpected growth, pay off
16 early, but both New Harmony and Wales look like they
17 are paying off on time. All but one of the overruns
18 are for expansions that were subsidized in accordance
19 with House Bill 180, and the other Newton and
20 Clarkston, was the first to be proposed without a
21 House Bill 180 subsidy after all the cases with those
22 subsidies.

23 And I can't be sure about Cedar Fort with
24 its windfall at the expense of electricity ratepayers
25 at large, but it looks suspiciously as if all House
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1 Bill 180-subsidized schemes have run over in terms of
2 payoff time scales. Again, the entity that caused
3 these problems -- Questar -- should bear the
4 consequent cost, not ratepayers at large who have
5 been subsidizing the Company in these House Bill 180
6 expansions at a significantly higher level than
7 normal.

8 As far as the customers in Panguitch, Oak
9 City, Joseph and Sevier, Fayette, Clarkston and Brian
10 Head are concerned, not only have they received new
11 customer subsidies, but they've also received House
12 Bill 180 subsidies. They clearly knew, or if they
13 were paying attention had a very reasonable
14 opportunity to know, what they were getting into when
15 they took natural gas service.

16 For the Commission now to order ratepayers
17 at large to subsidize them even further would be to
18 grant them preference, the repeal of the EAC rates,
19 on top of preference, the subsidies that they have
20 been getting under House Bill 180, on top of
21 preference, the subsidies that they got to start
22 with, in terms of the connection charges.

23 And what about the other businesses that
24 previously supplied fuel, such as propane, coal or
25 wood, that have gone out of business because they

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1 lost so many customers it was uneconomical to
2 continue? And all because House Bill 180 required
3 the Commission to approve these huge subsidies. In
4 1997 the Commission found that subsidies of the
5 degree currently afforded to these EAC customers
6 would result in rates that were neither just nor
7 reasonable.

8 House Bill 180 didn't change that. It
9 just directed the Commission to award the subsidies
10 regardless. Once House Bill 180 was repealed, there
11 was no longer any justification for those subsidies
12 to continue. The Division, acting in the public
13 interest, should have recommended that the EAC rates
14 for those communities be increased to eliminate that
15 portion of the subsidies.

16 Now the Division takes the stance that
17 despite the repeal of House Bill 180, the subsidies
18 it created should not only be maintained, but
19 increased for existing customers. The existing
20 subsidies for these EAC customers are already
21 resulting in unjust and unreasonable rates, but then
22 Stipulants, including the Division, want the door
23 slammed shut on any community not already inside the
24 natural gas club. Isn't that unfair discrimination?
25 It certainly is outrageously inconsistent.

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1 The Committee's legal memorandum filed
2 yesterday offers a spin that GSS and EAC customers
3 are being badly treated. What about people who don't
4 have the option of natural gas that the Committee
5 would deny the option of extended payment of the
6 upfront contribution? What about the vast majority
7 of ratepayers to whom the Committee gives not a nod
8 of sympathy, including low-income customers in the
9 service -- who are paying unembellished GS-1 rates?
10 Their rates, under this proposal, and the Stipulants
11 have already agreed today, will eventually somehow,
12 some way, go up.

13 Over the years, communities have found
14 various ways of making the upfront payment after the
15 aggregate new customer subsidy has been deducted from
16 the capital costs of an extension. Service
17 districts, county payments, GSS rates with multiples
18 of 1.3 or 2, over 10 or 20 years among them. This
19 appears to be the first time people have come back to
20 the Commission asking for a do-over.

21 Not only are the Stipulants seeking to
22 impose the cost of eliminating GSS and EAC rates on
23 everybody but themselves, but they're proposing a
24 level of subsidy considerably in excess of what the
25 Commission previously found would be unjustified for

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1 several of the EAC communities, all of this entirely
2 without suggestion of any benefit at all, much less a
3 matching benefit, for ratepayers at large.

4 The Stipulants seem to be making the claim
5 that the number of years over which they're required
6 to pay GSS or EAC rates is greater than for preceding
7 expansion areas, or may continue indefinitely.

8 There's no fundamental injustice in spreading a debt
9 over a longer period rather than a shorter one.

10 Consideration of the amount of financing charges must
11 be weighed against the debt itself, and the ability
12 to pay it off in a shorter, rather than a longer,
13 period. We all make that decision when we decide we
14 want a 30-year mortgage or a 15-year mortgage or
15 whatever. And if you can't make your payments at the
16 originally scheduled rate, your debt and the total
17 payment period are likely to increase.

18 One of the fundamental injustices in this
19 application and in this stipulation is that certain
20 small groups want to escape their obligations to pay,
21 and to transfer payment responsibility to a large
22 group of which they, collectively, are a tiny
23 portion. The Stipulants would have the Commission
24 believe that GSS and EAC customers who pay rates
25 separately established in numerous proceedings they

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1 characterize as abbreviated are all in the GSS class.
2 How is it possible that the Commission could create
3 so many separate rates without constituting that many
4 rate classes?

5 To put it another way: Isn't the simple
6 fact that GSS and EAC customers are not paying
7 unembellished GS-1 rates sufficient to establish that
8 they belong to separate and different rate classes?
9 Each GSS and EAC rate was established specifically
10 and solely to collect upfront payments to enable
11 communities to spread those upfront payments over
12 time.

13 To now eliminate those rates has only one
14 purpose: To excuse those upfront payment debts
15 knowingly entering into, sought by Questar and the
16 communities in question, supported by local
17 government officials and community members, approved
18 by the Commission, and unchallenged by any of the
19 Stipulants in repeated general rate cases.

20 This case is all about politics. House
21 Bill 180 was entirely political. In this docket, the
22 Commission has heard that Alan Allred, Questar's
23 President, is a member of the Economic Development
24 Corporation of Utah, along with numerous mayors who
25 also happen to be members of the League of Cities and
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1 Towns, alongside colleagues from the same communities
2 that stand to benefit here.

3 The Corporation, the Economic Development
4 Corporation, is an offshoot of the Governor's Office
5 of Economic Development, and several of the
6 governor's political cronies are also members. The
7 Executive Director of the Governor's Office of
8 Economic Development, like the Executive Director of
9 Commerce, is a member of the Governor's cabinet,
10 appointed by the Governor. The Governor has made
11 economic development a key plank in his platform.
12 The Director of the Division was appointed by the
13 Executive Director of Commerce, and serves at her
14 pleasure. The Division has no other oversight.

15 The new Director of the Committee was
16 appointed by the Governor, and is in the process of
17 being given a significantly larger office with
18 windows, even --

19 MS. BELL: Excuse me.

20 MR. BALL: -- by the Executive Director of
21 Commerce.

22 MS. BELL: I'm sorry. Chairman Campbell,
23 I think it's necessary at this point to renew the
24 objection made by Mr. Ginsberg. This, what we are
25 listening to, is really in the nature of legal

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1 argument, perhaps, or argument.

2 Mr. Ball is drawing his own conclusions
3 and opinions from various things. There is no
4 foundation. There are no facts, there's no evidence.
5 We are not hearing any factual evidence upon which
6 you could base a finding, nor has Mr. Ball qualified
7 as an expert whose opinions we could hear. I'm just
8 struggling, I guess, as is Mr. Ginsberg, with what
9 this is.

10 CHAIRMAN CAMPBELL: I guess my difficulty
11 is that I'm seeing instances where he's on target on
12 his testimony, and then there's a departure, and then
13 he's back to testimony.

14 So as far as your testimony, I don't know
15 if you are summarizing testimony as it relates to
16 governor appointments and so forth. That would
17 probably be inappropriate.

18 Insofar as he's discussing the economic
19 development issue, he has addressed that in his
20 testimony, and certainly we allow summary of his
21 position as it relates to economic development being
22 a criteria used in this case.

23 MS. BELL: And I'm sorry, I would agree,
24 but I do think there are certainly many inappropriate
25 statements about -- certainly with regard to Questar

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1 and what Mr. Ball felt they should have done, whether
2 or not we profited, whether we should have, all of
3 that is unfounded and I don't know that there is any
4 evidence of that in the record.

5 And I'm not certain that I'm saying that I
6 object to it, but I would like you to consider, when
7 you weigh this in this record, that you grant the
8 appropriate weight when thinking about that decision.

9 CHAIRMAN CAMPBELL: We will certainly do
10 that. I'm going to allow you continue, but insofar
11 as it borders on taking potshots, I'd ask you to
12 refrain from that.

13 MR. BALL: I believe, Chairman, it all to
14 be relevant, inasmuch as it is a mix of what an
15 attorney might regard as testimony and legal
16 argument. I'm not going to argue with that, but then
17 the whole proceeding today is consistent with a mix
18 of testimony and legal argument. So I think it's not
19 inappropriate that I be given the opportunity to
20 express my views on it if you like policy and legal
21 argument as well as fact.

22 CHAIRMAN CAMPBELL: My experience here is
23 that we -- that some of the items that you are
24 raising should have been raised in your written
25 testimony, and it's -- it is not direct rebuttal to

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1 other parties, which we're allowing live rebuttal
2 here. If it's on the lines of supporting your
3 position, that should have been in the written
4 testimony, rather than bringing it forward now. So
5 I'm going to ask you to continue, but I will be
6 sensitive if the attorneys here feel like you're
7 going beyond the bounds that are appropriate.

8 MR. BALL: Thank you, Chairman.

9 One of the Governor's cronies, who's a
10 member of the Economic Development Corporation, is
11 the person who told the media that Roger Ball was
12 fired as Committee Director because he'd been a "pit
13 bull."

14 CHAIRMAN CAMPBELL: Roger, this is not the
15 place to bring up your firing.

16 MR. BALL: These are facts, Chairman.

17 CHAIRMAN CAMPBELL: They might be facts,
18 but they're not relevant to all this.

19 MR. BALL: Well, you can weigh that, but
20 let me at least say them.

21 MS. BELL: I will object to his --

22 MR. BALL: You haven't stopped anybody
23 else from saying anything they wanted to. And I've
24 been good all morning. I've been totally silent. I
25 thought this was my turn.

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1 CHAIRMAN CAMPBELL: It is your turn, but
2 how much more do you have?

3 MR. BALL: Oh, I'm about halfway. What
4 have we been going? About half a hour compared with
5 how long this morning? Two-and-a-half hours?

6 CHAIRMAN CAMPBELL: The issue isn't that.
7 The issue is is it relevant, is it permissible here.

8 MR. BALL: Well, with respect, you can
9 weigh that when you've heard it. I don't see how you
10 can weigh it before you've heard it.

11 MR. PROCTOR: Mr. Chairman, perhaps I can
12 assist here. While the administrative rules for the
13 Commission do state that the Commission is not bound
14 by the Rules of Evidence, nevertheless the Commission
15 may respect them, if it wishes. This may be one of
16 those circumstances where you should do so.

17 Rule 401 of the Rules of Evidence speaks
18 to what is admissible and must be relevant, and it
19 defines "relevance" as "evidence having a tendency to
20 make the existence of any fact that is of consequence
21 to the determination of the action" -- the issue in
22 this case -- "more probable or less probable than it
23 would be without the evidence."

24 And language that discusses Mr. Ball's
25 personal employment issues or refers to cabinet

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1 decisions or the Governor's policy doesn't make the
2 existence of any fact more or less probable, and is
3 certainly irrelevant to the issue that's before this
4 Commission. So perhaps this would be a good time to,
5 in fact, enforce the issue of relevancy as a
6 threshold to admissibility.

7 The other issue is even if evidence is
8 admissible, if its prejudicial value outweighs its
9 probative value, it can be rejected. And reference
10 to people as "cronies" and suggesting, frankly, some
11 element of corruption involved between the Company
12 and economic development corporations in Utah is
13 highly objectionable and ought to be stricken, and
14 certainly should not be heard or considered.

15 MR. BALL: Chairman, I've got six more
16 lines leading up to my point on this, and then I'll
17 be moving on to completely other things.

18 CHAIRMAN CAMPBELL: Can you make your
19 point if those six lines are inflammatory?

20 MR. BALL: I'm just --

21 CHAIRMAN CAMPBELL: And I'm not
22 suggesting they're inflammatory.

23 MR. BALL: I think they're factual.

24 CHAIRMAN CAMPBELL: Could you make your
25 point? Could you just maybe tell us what your
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1 conclusion is, rather than --

2 MR. BALL: No, I couldn't do that.

3 CHAIRMAN CAMPBELL: Okay, then go on to
4 your next point.

5 MR. BALL: One of the mayors is a
6 significant client of one of the members of the
7 Committee. The Chairman of the Committee was
8 nominated by a senior legislator, who no doubt
9 informed him that he would lose his chairmanship
10 unless he voted the right way on this issue. Join
11 the dots any way you like. This is all about
12 politics. But the Commission's decision must
13 ultimately be legally sound, and Stipulants have yet
14 to show how this is to be done.

15 CHAIRMAN CAMPBELL: Let's stop there. Do
16 you want anything stricken from the record?

17 MR. PROCTOR: I think any references to
18 threats as between legislators and any Committee
19 member, and particularly a suggestion that there's an
20 inappropriate business relationship between Committee
21 members that affects their influence should be
22 stricken from this record.

23 CHAIRMAN CAMPBELL: Let's go off the
24 record now.

25 (Brief discussion held off the record.)

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1 CHAIRMAN CAMPBELL: We are going to strike
2 the items Mr. Proctor mentioned, along with any
3 references to windows and other such references as it
4 relates to this case. But go ahead, Mr. Ball, and
5 proceed to your next point.

6 MR. BALL: I'm sorry? Windows?

7 CHAIRMAN CAMPBELL: I think you talked
8 about a Committee director getting a window office.
9 Those sort of statements we will strike from the
10 record. Please proceed with your next point.

11 MR. BALL: In my stipulation testimony, I
12 said that the existing GSS rates, quote, "may" be
13 just and reasonable. I'd like to explain what I
14 meant. All the customers paying GSS and EAC rates,
15 not just those in Panguitch, Joseph and Sevier,
16 Fayette, Cedar Fort, Newton and Clarkston and Brian
17 Head, have been subsidized by ratepayers at large, as
18 are all customers taking service in previously
19 unserved premises, whether in extension areas or not.
20 It could be argued, although I have so far -- I have
21 not so far made such an argument -- that such
22 subsidies result in rates that are not -- neither
23 just nor reasonable.

24 The Stipulants are using such subsidies
25 and contending that there exists cross-subsidies of
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1 existing by new ratepayers to partly justify their
2 proposals. However, they have not justified any of
3 those subsidies in the context of the principle of
4 cost causation.

5 Now, I'd like to talk about system
6 expansion costs. Questar's second Panguitch
7 application, filed under the umbrella of House Bill
8 180, told the Commission that the Company estimated
9 the capital costs of serving the city at
10 approximately \$3.9 million, with the required
11 nonrefundable payment reduced from the estimated
12 capital costs by the subsidized main and service
13 connection charges of \$2,862,000.

14 So the first subsidy ratepayers at large
15 would contribute to this extension scheme was around
16 \$1 million. As I said, the Company estimated that it
17 would initially sell service to 460 customers at a
18 monthly EAC that Questar chose to set at \$30. The
19 revenue stream, as projected over 15 years from the
20 EAC, would be worth \$1,255,000.

21 So then Questar wanted its ratepayers at
22 large additionally to subsidize the Panguitch
23 extension by the remaining \$1,607,000. In fact, we
24 don't know how much it has been costing ratepayers at
25 large. In the first Panguitch case, Mr. Allred wrote

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1 to Commissioner Jones that the system Questar
2 intended to build would cost half a million dollars
3 more than a minimum system.

4 Questar has said that its cost estimates
5 were based on minimum system size, but it built for
6 growth and put all its actual costs into rate base.
7 Subsequent general rate cases have set rates based on
8 recovery of and return on that rate base, not on the
9 EAC revenues. So not only have Panguitch revenues
10 been below estimates, but costs have apparently been
11 above.

12 And Questar won't tell us how much it's
13 been costing. It says it can't, but I find that very
14 hard to believe. And if the Company isn't hiding the
15 numbers, its management is unbelievably imprudent in
16 its project management.

17 MS. BELL: Objection.

18 MR. BALL: Chairman, with the greatest of
19 respect, I've spent 20 years in utility management,
20 building huge capital investment schemes. This isn't
21 the way that a prudent utility does that.

22 MS. BELL: Chairman, I object to the kind
23 of statements that Mr. Ball repeatedly puts in his
24 argument with regard to my client and whether or not
25 they've been prudent, or whether or not they've used

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1 integrity in going through these various expansion
2 cases. I would like all of those comments stricken.

3 CHAIRMAN CAMPBELL: At this point, let's
4 see just let him finish so we know what's there,
5 what's allowed on the record and what we need to
6 strike. Please continue.

7 MR. BALL: Either way, whether as a result
8 of misbehavior or incompetence, ratepayers shouldn't
9 be on the hook. After the second Panguitch case, the
10 documents I've read that I received in response to my
11 discovery request become sketchy in two dimensions.
12 I haven't seen all, either of Questar's applications
13 or of the Division's memoranda, and neither
14 applications nor memoranda go into the detail that is
15 to be found in the New Harmony or Panguitch ones. It
16 appears that everyone is taking it for granted that
17 the Commission would rubber-stamp these further
18 extension areas applications.

19 Estimated costs for Oak City were
20 \$707,000. The EAC was projected to collect \$507,000,
21 saddling ratepayers at large with covering a \$200,000
22 subsidy. Engineering estimates put the capital costs
23 for Joseph and Sevier at \$400,640; Fayette, \$211,660;
24 Cedar Fort, \$625,046, and Brian Head, \$2,930,000. In
25 turn, the original balance, as shown on the EAC

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1 payoff analysis, reveals HB180 subsidies of \$162,640
2 for Joseph and Sevier; \$69,060 for Fayette; \$228,046
3 for Cedar Fort, and 1,753,000 for Brian Head. Those
4 are subsidies ratepayers at large are already paying
5 for those extension areas as a result of House Bill
6 180.

7 A Division memorandum put the capital
8 costs for Newton and Clarkston at \$777,000, with an
9 upfront payment of \$466,000, another \$311,000 for
10 ratepayers at large to swallow. It represents -- the
11 memorandum represents -- that an EAC of \$16.50 for
12 15 years would cover the upfront payment, and that
13 this is a simple EAC application and doesn't include
14 the House Bill 180 subsidy.

15 The application for EAC rates for Wales
16 was filed after the sunset date of House Bill 180,
17 and it, too, may have been calculated without a House
18 Bill 180 subsidy. The Division's memorandum put the
19 estimated costs at \$154,000, of which a \$17 EAC for
20 15 years and expected to raise \$102, \$898 -- sorry --
21 \$102,898.

22 The EAC payoff analysis puts the upfront
23 payment at \$109,000, leaving ratepayers at large to
24 foot \$45,000. Lacking some of the data inputs and
25 very short of time, I have been unable to perform all
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1 of the calculations or to present the data in the
2 clear and concise format as I would wish. This is
3 part of my complaint about the Division. It spends
4 between \$3 and \$4 million of ratepayers' money each
5 year, yet opts out of presenting relevant information
6 to the Commission or placing it in the public record.
7 I can't be sure how these numbers relate.

8 I suspect that there were conclusions to
9 be drawn if they can all be seen and analyzed
10 properly. I strongly recommend that the Commission
11 require a thorough order and make that report public.

12 Now, the Public Service Commission can
13 take the uncollected revenue in the stipulation and
14 compare it on its own to the limits in House Bill
15 180. It needs to be cumulative with the subsidies
16 already given under House Bill 180. But neither can
17 the Public Service Commission ignore the fact that
18 House Bill 180 was repealed seven years ago. If this
19 \$1.7 million, or whatever the number is today, in the
20 stipulation is added to all the already existing
21 House Bill 180 subsidies, I think there's a very good
22 chance that the Commission will find that it goes
23 over the limits in House Bill 180.

24 Regarding the stipulation, the Stipulants
25 claim that it's in the public interest. It isn't.

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1 It's in the interests of fewer than 9,000 of
2 Questar's customers. It's entirely counter to the
3 interests of more than 821,000 others. None of the
4 Stipulants have established criteria against which
5 the Commission may objectively assess the merits of
6 the Stipulants' bold assertions of public interest.
7 The objectives of paragraphs 9 and 10 of the
8 stipulation are flatly contradictory.

9 Attempting to give a free pass, going
10 forward, to customers in existing expansion areas
11 while foreclosing all possibility for still unserved
12 communities of amortizing upfront payment over time
13 through Questar. The accrual of unpaid GSS/EAC and
14 payments into account 191.8 or its collection through
15 the CET would enable Questar to conceal the true
16 effects of the stipulation, if accrued, as it
17 conceals effects of its weather-normalization
18 adjustments and low-income subsidies.

19 No GS-1, GSS or EAC customer can follow
20 the calculations on their Questar bill through from
21 meter reading to total due as they can with their
22 PacifiCorp bill, for example. The Stipulants are
23 already claiming, less than candidly, that approval
24 of the -- I'm sorry, I wrote this before this
25 morning's testimony -- that approval of the

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1 stipulation will have no upward impact on GS-1 rates,
2 because that will be deferred -- and they were, in
3 fact, saying that up until this morning -- just as
4 they're claiming, less than sincerely, that GS-1
5 rates will not be increased in an abbreviated
6 proceeding.

7 The reality, of course, is that if the
8 Commission approves the stipulation, but for this
9 abbreviated proceeding, there would be no deferred
10 unpaid rates in account 191.8 or the CET to exert
11 upward pressure on GS-1 rates during the next general
12 rate case.

13 During the Beaver public witness hearing,
14 the Commission heard from some customers with large
15 bills. I recall a plant nursery owner and a
16 representative of Garfield County School District in
17 particular representing that it wasn't so much the
18 \$30 EAC that was hurting them as the incremental
19 charge on every decatherm over 45 each month.

20 In my discovery, I attempted to quantify
21 the increase the stipulation might result in for
22 customers paying unembellished GS-1 rates who use
23 large volumes of gas. Questar seemed unable to
24 provide me with data for all 812,150 of its GS-1
25 customers, supplying information regarding less than

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1 590,000 residential customers, the largest tenant
2 which were master metered apartment, condominium,
3 mobile home complexes where Questar couldn't say how
4 many units there were. So my effort to quantify the
5 impact of this, sooner or later, on large, existing
6 customers fell flat.

7 Questar denied that the stipulation would
8 result in increased rates. While its data request
9 response to me was strictly accurate, the responses
10 weren't helpful. I would, however, like the
11 Commission to understand that those individual
12 residential and particularly commercial GS-1
13 customers who use large quantities of natural gas
14 eventually stand to pay far more than \$1.87 a year
15 more, just as those customers at the Beaver hearing
16 hoped for a reduction of far more than \$30 a month.

17 For example, just as Mr. -- and I
18 apologize if I get the pronunciation wrong --
19 Kirksiek's nursery pays monthly bills of \$3,000 and
20 \$4,000, there are commercial ventures in the Salt
21 Lake area with bills of the same magnitude, for whom
22 the consequences of approval of this stipulation will
23 be proportionately greater than for a
24 115-decatherm-per-annum customer. There are school
25 districts, local governments, hospitals, etc., using
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1 large volumes of gas in longstanding Questar-served
2 facilities, just as there are in the GSS and EAC
3 communities, that stand to see their bills increase
4 by larger amounts, too.

5 It's very clear that Questar Corporation
6 has methodically set about cornering the natural gas
7 distribution market in Utah. It could have used its
8 pipeline company to build a transmission line for
9 Southern Utah, opening the prospect of municipal gas
10 utilities for or other investor-owned utilities that
11 would have carried all the costs of the bringing
12 services to those cities and towns.

13 But no, Questar chose not to do that.
14 Questar wanted this business. Questar then set about
15 proposing tariff structures that would secure
16 recovery of and return on its investment in expansion
17 schemes from ratepayers at large by putting costs
18 into rate base while gaining approval for GSS and EAC
19 rates. It has muddied the waters by declaring that
20 it has no records of the costs of individual
21 projects. I've already said that I find that
22 incredible.

23 If the Company isn't purposely hiding the
24 information, it's an unbelievably incompetent project
25 manager. That's my judgment based upon my experience
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1 and qualifications. Questar likes to secure its
2 return. Wexpro, the pipeline company, Questar
3 exploration and production, buying gas from third
4 parties, and the CET, are all part of this strategy.
5 Here we have the next step: Transfer responsibility
6 for GSS and EAC revenues to ratepayers at large.

7 In data requests I asked Questar to
8 provide details of its regulatory expenditures, to
9 which the Company objected and declined. All of
10 these expenditures are typically included in rates
11 during general rate cases, unless paid for by
12 ratepayers like myself, yet Questar has resorted to
13 hiring outside counsel to answer my position
14 statement and has brought one along today.

15 And I ask the Commission to compel Questar
16 to provide data regarding its regulatory expenditures
17 to my satisfaction, please. I also ask Questar to
18 provide details of its expenditures on representation
19 to state, county and local government entities or
20 elected and appointed officials. Again, the Company
21 objected and declined.

22 As I have shown, this case is highly
23 political, and Questar's executives, in-house and
24 retained lobbyists, public relations personnel and
25 others have unquestionably been heavily involved in
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1 smoothing the way for that.

2 MS. BELL: I object to that statement.

3 MR. BALL: Whether they are above the line
4 or below for rate-making purposes, these expenses are
5 highly relevant to understanding and explaining how
6 Questar operates. And I ask the Commission to compel
7 Questar to provide data regarding these expenditures
8 to my satisfaction, please.

9 Finally, the Commission has treated the
10 great majority of ratepayers unequally by failing to
11 give broad public notice of this afternoon's public
12 witness hearing. In my Stipulation Supplementary
13 Testimony, I showed that the Commission has ordered
14 Mountain Fuel to publish notice of the 18th of
15 February 1993 hearing in docket 92-057-T-something or
16 other, and the Company had mailed notice to officials
17 of all the rural communities that had previously
18 expressed an interest in natural gas service.
19 Despite the potential for those proceedings to give
20 rise to an increase in subsidies for the new
21 extension area customers by existing customers, the
22 cost of giving notice was likely to fall primarily,
23 if not entirely, on existing customers.

24 There is no record of the Commission
25 requiring MFSC to balance the giving of notice to
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1 potential customers with the giving of notice to
2 existing customers. Once again, on this occasion,
3 the Commission has failed to require the Company to
4 give broad, general notice, likely to come to the
5 attention of the very people likely to be adversely
6 affected by this application and stipulation.

7 Now, for a summary. Because the Division
8 and Committee have chosen, for political reasons, to
9 join the stipulation, there is no party in this
10 docket to provide a voice for 821,500 GS-1
11 ratepayers, other than me. If Questar is allowed --

12 MS. BELL: I do object to that statement.
13 We already have it on the record that Mr. Ball
14 represents perhaps possibly 10 people in this matter.
15 He does not represent 821,000 customers.

16 MR. BALL: Didn't say I did. Just said
17 there's nobody else other than me.

18 MS. BELL: The implication that I take
19 from that statement is that you are, in fact,
20 thinking that you do represent them, Mr. Ball.

21 CHAIRMAN CAMPBELL: I'll going to let Mr.
22 Ball finish. He's almost done, and then I'm going to
23 let you know how we're going to deal with this
24 statement.

25 Go ahead, Mr. Ball.

26

1 MR. BALL: If Questar is allowed to remove
2 GSS and EAC rates from its tariff and charge those
3 uncollected rates to account 191.8 for later
4 amortization through a general rate case, or put it
5 into the CET, GS-1 customers will pay more. GS-1
6 customers using large volumes of gas will pay
7 proportionately more than those using 150 decatherms
8 per annum.

9 Local governments and customers in the
10 expansion areas were well informed about the projects
11 and the rates likely to be approved for their areas,
12 and had signed franchise or service line agreements.
13 Although they often argued that provision of natural
14 gas service would facilitate the economic development
15 of their areas, they now argue that the GSS and EAC
16 rates are hindering such development, but have
17 provided hard evidence for neither.

18 Every expansion area was given the benefit
19 of all the main and service line footage allowances
20 that every customer taking service in new premises is
21 entitled to, all subsidized by existing customers.
22 This amounted to thousands, even millions of dollars
23 for some communities. Under the passage of House
24 Bill 180, expansion areas were then required to fund
25 the balance of the up -- sorry -- until the passage
26

1 of House Bill 180, expansion areas were then required
2 to fund the balance of the upfront costs associated
3 with bringing them service. Some formed special
4 service districts. Some.

5 Obtained grant aid from local government
6 entities. Most paid over time through GSS and EAC
7 rates of appropriate amounts and over suitable
8 periods. Questar knew it couldn't extend its system
9 into Panguitch, Joseph and Sevier, Fayette, Cedar
10 Fort, Newton and Clarkston and Brian Head without
11 larger subsidies. It asked the Commission; was
12 denied. Went to the Legislature; got House Bill 180
13 passed. And the Commission was required to approve
14 the subsidies.

15 Now Questar and the other Stipulants want
16 ratepayers at large to further subsidize GSS and EAC
17 customers by taking over responsibility for the
18 balance of their upfront payment obligations. In
19 1997, the Commission determined that it wasn't just
20 and reasonable for ratepayers at large to subsidize
21 Panguitch customers, even if they paid a \$30 monthly
22 EAC.

23 The Commission reaffirmed that it wouldn't
24 have been just and reasonable for ratepayers at large
25 to pay the other rural communities' upfront charges.

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1 The Commission, in 1997, recognized all that. Now
2 the Commission should recognize that it wouldn't be
3 just and reasonable to require ratepayers at large to
4 bail out Questar and the GSS and EAC customers as
5 this application and stipulation propose. The GSS
6 and EAC rates should remain in force for the
7 originally determined periods.

8 Following a thorough order, Questar should
9 be given responsibility for poor estimates of service
10 takeup and the dollar amount of each EAC charge. In
11 competitive business, when management miscalculates,
12 stockholders suffer and vent their dissatisfaction on
13 management. Regulation is supposed to be the
14 surrogate for competition regarding monopoly
15 utilities.

16 So the Commission should require Questar,
17 its management and stockholders, to take
18 responsibility for their failings in these cases, not
19 featherbed them by ensuring there is no revenue
20 impact from decisions that turn out to have been
21 suboptimal.

22 Thank you very much.

23 CHAIRMAN CAMPBELL: Thank you, Mr. Ball.

24 Let me also note, I don't think we mentioned this
25 before Mr. Ball began his summary, that down in

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1 Beaver he was sworn, and so his testimony today is
2 under oath.

3 The way I think that we'd like to deal
4 with the objections, and frankly I'd give our court
5 reporter a really unachievable task by just a blanket
6 statement of striking certain items. What we will do
7 is we'll allow the parties to make a motion once they
8 have a chance to look at transcript, and you can make
9 a specific motion at what you believe is either legal
10 argument or statements that are not related to the
11 testimony or rebuttal testimony. Then we will deal
12 with the motion at that point.

13 MR. BALL: And I take it, Mr. Chairman,
14 that I'll have the opportunity to respond to those?

15 CHAIRMAN CAMPBELL: That's what I was
16 going to state next. That's how we would typically
17 work around here. So Mr. Ball will have a chance to
18 respond, and you'll have a chance to summarize your
19 motion. So we will deal with that after the hearing
20 today. We will now take a 15-minute recess.

21 (Recess)

22 CHAIRMAN CAMPBELL: Let's go on the
23 record.

24 Mr. Proctor?

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

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1 During the break I discussed with other
2 counsel a proposal that I would make on behalf of the
3 Committee as a means to, one, close this record and
4 get the matter before the Commission for decision,
5 and yet preserve on the record, but not as evidence,
6 not as testimony, Mr. Ball's statement. And it would
7 be the entire statement, because I believe it would
8 be extraordinarily difficult and really further an
9 unnecessary dispute to try to go line by line and
10 identify those items that violate Rules of Evidence
11 and those items that are borderline summaries of
12 testimony.

13 Remember, this is a summary of testimony
14 already before the Commission and admitted into
15 evidence. So it would be my proposal that the entire
16 of his statement be treated as argument. And there's
17 a long tradition in American jurisprudence that
18 people do have a certain amount of immunity to say
19 whatever they wish, even making defamatory
20 statements, within the curtilage of a courtroom or
21 this Commission.

22 So we'll preserve that, but call it what
23 it was, and that was argument, not testimony and not
24 summary of testimony. It is not the type of
25 information upon which this Commission should rely
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1 for a finding of substantial evidence either way.
2 Much of it, too, is hearsay, and would be
3 inadmissible on that ground, and not considered by
4 this Commission.

5 I believe the Commission has the
6 authority, under its own administrative rules, on
7 746-109(f)sub 1, where it talks in terms of: "The
8 Commission may exclude non-probative, irrelevant or
9 unduly repetitious evidence."

10 One could classify the entire statement as
11 argument, and you would thereby rid the record of
12 non-probative, irrelevant and unduly repetitious
13 evidence, and yet reserve Mr. Ball's opinions.
14 Otherwise, we're going to get involved in issues such
15 as character evidence, which some of what he was
16 saying is in the nature of character evidence, and
17 then we're going to have to argue whether or not that
18 character evidence tends to establish or prove an
19 essential element of Mr. Ball's claims or defenses,
20 which you can test for admissibility with the
21 character evidence for that purpose, not for
22 impeachment, but for the purpose of proving the
23 claim.

24 I would submit that none of it does, and
25 that the fact that the Governor has a certain bent,

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1 and characterizing that in the way that Mr. Ball did
2 is an opinion, but to some extent is character
3 evidence, particularly with respect to some of the
4 Questar management. Let him say it, but it's not
5 evidence. Rule 403 of the Utah Rules of Evidence
6 also precludes and gives the tribunal the authority
7 to regulate the proceeding to avoid confusing the
8 issues, or evidence that confuses the issues that's a
9 waste of time, that's misleading or is inflammatory.

10 And certainly the suggestion of public
11 corruption, which Mr. Ball made, is inflammatory.
12 Again, the First Amendment provides him with a
13 certain amount of leeway within a courtroom or a
14 tribunal, but at the same time it ought not to be
15 considered substantial evidence. That will permit,
16 in my judgment, Mr. Ball his opportunity to be heard,
17 much like a public witness would be heard, and the
18 record could be closed and we could then deal with
19 facts that are apparent in the testimony that has
20 been admitted before the Commission. That's my
21 proposal.

22 CHAIRMAN CAMPBELL: Thank you.

23 Mr. Ball, your response?

24 MR. BALL: I have a question first,
25 Chairman. What I heard Mr. Proctor say was

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1 R-746-109. I can't find that.

2 CHAIRMAN CAMPBELL: 100 --

3 MR. BALL: 100-9?

4 CHAIRMAN CAMPBELL: Or is it 10?

5 MR. PROCTOR: It's 10, I'm sorry. It is
6 10. It is 10. I just misread.

7 MR. BALL: 100-10.

8 MR. PROCTOR: It's small print, and my
9 eyes are not as good as they used to be.

10 CHAIRMAN CAMPBELL: Then it was (f)?

11 MR. PROCTOR: (F)1. (F) is evidence, 1 is
12 generally, and it has that provision for the
13 Commission's inherent right to control the evidence
14 that comes into the record.

15 CHAIRMAN CAMPBELL: Please proceed with
16 your response.

17 MR. BALL: Chairman, I'm not going to
18 debate what the various kinds of rules say and don't
19 say. What I am going to say is that I haven't heard
20 anybody allege, and if they did, I would disagree
21 with them, that there wasn't any testimony or
22 evidence in what I had to say. I'm not going to
23 argue, and I thought I'd made that clear earlier on,
24 that it was a blend of testimony and argument.

25 I think that to admit everything to the
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1 record is appropriate. How we -- how it is admitted
2 and how it is -- how the various parts of it are
3 admitted and categorized, I think, are somewhat open
4 to debate and to discussion. And I'm in favor of
5 your suggestion. I think that folks should have a
6 look and say what they think. To the extent that
7 either they and I are able to agree that something is
8 argument rather than testimony, I will have no
9 problem whatsoever with having that admitted to the
10 record as argument rather than as testimony.

11 CHAIRMAN CAMPBELL: Mr. Proctor, did
12 you -- is it your belief that there was no live
13 rebuttal testimony in anything he said?

14 MR. PROCTOR: I believe that there was, on
15 occasion, some rebuttal, and I believe that initially
16 it was, in fact, a summary. But I also believe
17 within five minutes it became far afield from a
18 summary of his testimony or responding to anything
19 that has been heard today.

20 Bear in mind that Mr. Ball filed, as did
21 everyone else, testimony on March 14th as per this
22 Commission's scheduled order. He then filed, about
23 4:30 last Friday afternoon, 48 pages of additional
24 testimony. And then to come here and add to it, to
25 me it's beginning to sound like or feel like a trial

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1 by ambush.

2 And I think to suggest that somehow we're
3 going to be able to agree with Mr. Ball, given the
4 tone of his presentation, as to what is admissible
5 evidence and what is argument, I don't believe is
6 going to be fruitful. His references, for example,
7 the character references to members of the Committee
8 and members of the Governor's staff and the
9 Governor's cabinet, we would be entitled to ask for
10 specific instances to establish or to test his
11 allegations that they have in some way acted
12 inappropriately.

13 And that's not going to be probative and
14 it's not going to be helpful to this Commission in
15 making the decision on the application and
16 stipulation that is before you. So yes, I would
17 agree that some of it was, but it is so jumbled up
18 with the vindictive and the venom, that I think the
19 best way for this Commission to control that and yet
20 let Mr. Ball have his say is to treat it all as
21 argument. And if it's in the testimony, it's there.

22 CHAIRMAN CAMPBELL: We'll take your
23 suggestion or motion under advisement and talk about
24 it before we make a decision. We're not going to
25 make a decision here in the hearing room today.

26

1 MR. PROCTOR: No.

2 CHAIRMAN CAMPBELL: Okay. Mr. Ball, I
3 guess you're available for questions at this point.
4 Let me begin. As I read your testimony, it appears
5 that one of the conclusions that you were drawing is
6 the fact that people in these communities understood
7 the terms at the time gas service was offered to
8 them, and there was some sort of agreement or
9 contract -- and maybe "contract" is too strong of a
10 legal term -- but I guess my question is: So what? I
11 mean, as a Commission, we set rates prospectively.

12 And let me give you a few examples to let
13 you understand what I'm trying to say here, what my
14 question is. I guess in the hearing room, with some
15 of our line extension, at the last general case we
16 changed the line extension. It was some footage. We
17 went to dollars, and the result of that was that new
18 customers would end up paying more. So the
19 Commission prospectively made a change and a move
20 there.

21 Another example would be if there was a
22 10-year-old stipulation in a general rate case that
23 the Company had made, I mean, they're not bound by
24 that 10 years later in another rate case. So the
25 Commission sets rates prospectively. We take the

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1 evidence that's before us today, and we make a
2 decision. And so I guess my question to you is: What
3 purpose or meaning does it have, your statement that
4 these communities understood their terms?

5 MR. BALL: Early on in my involvement in
6 these proceedings, I used the analogy of someone
7 entering into a mortgage agreement, and then at some
8 subsequent point wanting a neighbor who had paid off
9 their mortgage to chip in and help them out with
10 theirs. Exception was taken to that, and the Company
11 was quick to say that there were no agreements.

12 As far as I'm concerned, part of the point
13 of all of this is to make the point that while there
14 may not have been absolutely water-tight agreements,
15 there were some agreements. There was certainly a
16 high level of awareness. And to the extent that
17 there were agreements, it appears that those -- that
18 some of those agreements were not enforced by the
19 Company, by the Company's own choosing.

20 In other words, the -- I forgot the exact
21 term, but it's something like line extension
22 agreements, the ones that were signed by individual
23 potential customers during the canvass, appear simply
24 not to have been retained by the Company. It's as if
25 they used the form only for canvass and sort of moral

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1 suasion, but then did absolutely nothing to try and
2 follow up and enforce that on anybody. So I think
3 that kind of thing is significant.

4 This is actually, in my judgment, a
5 particularly complex case, and there's a tendency to
6 apply sort of very broad, overarching statements to
7 things that really fall into numerous categories.
8 And it's important to be able to kind of divvy up
9 what's going on here.

10 Questar would like the Commission to
11 believe that the Commission started all of this by
12 telling people to go away and have a task force.
13 Questar would like everybody to believe that this all
14 started out with a complaint from Beaver. Part of my
15 point in pointing out all of these complex
16 interrelationships through the Economic Development
17 Counsel and so on, are -- I don't think it's that
18 simple.

19 I think there's more to it than that. I'm
20 not sure that I know all that there is to it, but I
21 suspect there's a great deal going on, and I suspect
22 that part of it is that Questar sees this as being
23 distinctly to its advantage to get away from having
24 to deal with all the hassle that goes, both in terms
25 of customers in the extension areas being unhappy

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1 paying the extension area charges and the GSS rates,
2 but also in terms of just the sheer need to bill it
3 all and collect it all and track all the revenue
4 streams and so forth, and would very much like to
5 just have it all wrapped up in rate base and
6 collected through general rates and be done with it.
7 In other words, I think they're being less than
8 forthright. I think they've been less than
9 forthright all the way through.

10 CHAIRMAN CAMPBELL: My second question
11 deals with in your testimony you recite the Panguitch
12 order that this Commission put in place. And as I
13 look at that, and I've actually read that several
14 times as part of this case to make sure I understood
15 it, it seems to me that there were a couple of,
16 perhaps, precedents.

17 But nowhere did I find anything related to
18 -- precedents related to GS subsidy, GS-1 subsidy to
19 GSS. Seems to me that the subsidy issue within that
20 order focused on the competitive issues. And I guess
21 the question is: Do those issues exist today now that
22 the service is already there? If it's not going in
23 to become a new competitor, do those competitive
24 issues still exist?

25 MR. BALL: Just to clarify, are you

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1 talking about the order in the first Panguitch case,
2 the one --

3 CHAIRMAN CAMPBELL: Right, right, before
4 the House Bill 180. As I look at that, and I try to
5 determine are there any precedents in that order that
6 affect this case, I don't see anything related to
7 subsidy between GS-1 and GSS. It seems to be more a
8 concern of the Commission of subsidizing a
9 competitive alternative. And I guess my question is:
10 Now that they're already there, and we're not talking
11 about bringing a new competitor into an area, does
12 that precedent hold?

13 MR. BALL: I don't think I agree with that
14 there's nothing in that order about subsidy.

15 CHAIRMAN CAMPBELL: I didn't say that.

16 MR. BALL: I'm sorry, I thought that's
17 what I heard you say.

18 CHAIRMAN CAMPBELL: No. In the order,
19 when it talks to subsidy, as I look at the
20 conclusions, it seems like every sentence that talks
21 about subsidy also talks about competitive providers,
22 that what you're doing is you're subsidizing a
23 competitor to propane or to something else.

24 MR. BALL: Yes, so it was talking about a
25 subsidy of Questar rather than a subsidy of Questar's

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1 extension area customers. Is that your point?

2 CHAIRMAN CAMPBELL: Right. I mean, I'm
3 asking: Is there anything in that order that deals
4 with subsidy of GS-1 customers, where it would
5 prevent GS-1 customers from subsidizing GSS customer?

6 MR. BALL: But that's exactly what it was
7 going to. I mean, where was the subsidy coming from
8 if not from GS-1 customers at large? I think that
9 you can -- that you can read that order to be talking
10 about a subsidy to -- Mountain Fuel Supply, was it?
11 Yes, a subsidy to Mountain Fuel Supply in competition
12 with propane, coal and other fuel suppliers. But the
13 ultimate beneficiary of the subsidies that were being
14 talked about were surely the extension area customers
15 to be.

16 CHAIRMAN CAMPBELL: I'm not doing a very
17 good job here. I understand, as I read the order, it
18 seemed like the Commission wasn't so concerned about
19 subsidy from GS-1 customers, but for the fact that it
20 couldn't find benefit to the GS-1 customers.

21 MR. BALL: Yeah.

22 CHAIRMAN CAMPBELL: But their real concern
23 was subsidizing a competitor against -- I mean, well,
24 I think you've answered the question, and I don't --
25 unless you have another answer, I don't see -- I see

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1 the question of subsidy as being tied to the issue of
2 competition in the fuel market, not necessarily an
3 issue of whether GS-1 customers should ever subsidize
4 GSS customers.

5 MR. BALL: Well, I think it was both. I
6 mean, the effect of the subsidy in the competitive
7 fuel market was to take Questar's -- Mountain Fuel's
8 rates from flatly uncompetitive, which the Company
9 itself recognized in making the application. The
10 whole point of the application was to take natural
11 gas from being flatly uncompetitive to being
12 competitive.

13 And there are a number reported in the
14 record that make it quite clear that the consequent
15 rates to Panguitch customers would be below other
16 competitors' rates for similar heat values, if you
17 want to put it that way. So in other words, not only
18 were they being subsidized to become equal
19 competitors, but they were being subsidized to become
20 even more competitive.

21 And you have my testimony on the record
22 from the Beaver hearing of having driven through
23 Panguitch sometime later and seeing a propane
24 dealer's yard north of Panguitch full of rusty old
25 tanks that had been recovered from customers who had
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1 given up the propane to take natural gas. Now,
2 that's one element of it, but the other element of it
3 is up until that point, every extension area which --
4 where the fuel competitive nature of the subsidies
5 and time payment arrangements of the GSS rates and
6 the EAC rates, because there, of course, were a
7 couple of EAC rates that predated Panguitch, the time
8 payment nature of those combined together to make
9 natural gas competitive with the existing fuel
10 sources and, therefore, attract customers away, which
11 was, you know, part of Questar's pursuit of its
12 business opportunity.

13 What we had had up to that point was at
14 least the customers who were gaining the benefit of
15 natural gas in the extension areas were on the hook
16 for all of the costs except the main line extension
17 footage allowances. With Panguitch, that was not to
18 be the case. The Panguitch request, the first
19 Panguitch request of Mountain Fuel was asking for an
20 additional specific subsidy so that the EAC rate of
21 \$30 would be paying a smaller share of the cost that
22 the EAC tap rate in the earlier EAC applications or
23 the GSS rate.

24 CHAIRMAN CAMPBELL: Let me ask a question
25 we asked the other parties to get your opinion on
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1 this issue. What if the Commission were to eliminate
2 GSS and EAC and not make the revenue neutral
3 adjustment advocated by the parties, and then have
4 that issue decided in the next general rate case?
5 What's your opinion to that sort of approach?

6 MR. BALL: I think that would be better
7 than hiding it away either in the CET or the 191.8
8 thing, but it doesn't go as far as I would like it to
9 go. I think that -- and I've said it repeatedly -- I
10 think that Questar, its management and stockholders
11 should be on the hook here. I don't see any merit
12 whatsoever in dragging this on to a general rate
13 case.

14 If I'm not mistaken, the Company and the
15 Division have argued that there's no need for a
16 general rate case. Well, so be it. Let's not do
17 that. Let's just say no. Fine. If you want to take
18 out the GSS and EAC rates, we'll let you take out the
19 GSS and EAC rates. You presumably know what you're
20 doing, Questar. You carry the cost consequences of
21 that. They're gone.

22 COMMISSIONER BOYER: Mr. Ball, I only have
23 a few questions, and they're really clarification
24 questions, because I think I understand your
25 position. But you did say a couple of things this

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1 morning that led me to question myself. First,
2 turning to our statutory authority in 54-31 regarding
3 just and reasonable rates, I'll read that same
4 language I read earlier in speaking with the
5 proponents.

6 "The scope of the definition of 'just and
7 reasonable' may include but shall not be limited to
8 the cost of providing service to each category of
9 customer" -- in other words, cost of service rates --
10 "economic impact of charges on each category of
11 customer, and on the well-being of the State of
12 Utah."

13 Would you concede that the "well-being of
14 the State of Utah" is enhanced in any way by the
15 extension of natural gas service to these rural
16 communities in terms of safety, convenience, comfort,
17 economic prosperity or whatever it might be? Would
18 you concede that the well-being of the State is at
19 all enhanced by the distribution of natural gas
20 throughout the State?

21 MR. BALL: You have my testimony on the
22 record in this proceeding from the Beaver public
23 hearing. I grew up in a home, I spent the first
24 three years of my life in a home with no utilities
25 whatsoever. My wife and I brought our children up in

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1 a home that had most of the modern conveniences, but
2 our central heating was fueled by fuel oil. There
3 was no natural gas in our community or several around
4 us. One day the gas company came along and offered
5 to bring it in. There was going to be a cost
6 involved.

7 Much the same as the folks in these
8 extension areas, we were approached and asked if we
9 would like to sign up and commit to paying for the
10 pipe to actually come to our premises, as opposed to
11 the network around the village. We decided to do
12 that. Unfortunately, we upped stakes and came to
13 Utah before we ever used any natural gas in that
14 house. Had we stayed, we would have replaced our oil
15 boiler with a gas one and so on.

16 I'm very much in favor of these facilities
17 being available. That's not the issue for me. The
18 issue is who pays for it. And the issue becomes --
19 and it relates back to this thing, the part about the
20 economic impact. All the way along, until the first
21 Panguitch case, other than the main and service
22 extension allowances, everybody paid their own costs.
23 With Panguitch we began an explicit subsidy over and
24 above the main line, and main and service line
25 extension allowances.

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1 Now, some of the folks, the most recent
2 ones to come on board, want out of that deal, and I
3 think, quite frankly, I think that's inappropriate.
4 I certainly think that it's inappropriate that they,
5 together with Questar, and I certainly very much
6 think it's inappropriate for the Division and the
7 Committee to say we're on board leaving nobody to
8 represent 800,000 GS-1 customers who are being asked
9 to pick up the tab.

10 I'm asking the Commission to consider the
11 economic impact on them of what's being asked for
12 here. That's an economic impact that ought to be
13 considered. And I don't think that that economic
14 impact can be shown to be just and reasonable. And
15 back in 1997, this Commission's predecessors in
16 office found that it wouldn't be.

17 Now, the real question, I believe, for
18 this Commission is: So what's changed? How is it
19 different today? How would it be just and reasonable
20 today when it was not then? And that's the legal
21 hurdle that somehow or another the proponents of this
22 stipulation need to help the Commission over if they
23 want to succeed, because otherwise the Commission is
24 going to be left with a very, very shaky foundation
25 for approval of the stipulation.

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1 COMMISSIONER BOYER: Going to one of the
2 areas of clarification you mentioned earlier, is it
3 your position that House Bill 180 either expressly or
4 implicitly required the subsidy that was authorized
5 in the bill to be terminated after the bill's sunset?

6 MR. BALL: I think it's very, very
7 interesting that the bill, as passed, contained its
8 own repeal. What did that mean? I think it's
9 perfectly reasonable to think that one of the things
10 it could have meant was that upon its repeal, there
11 was no legal foundation for those subsidies anymore.

12 I certainly think that that is a more
13 reasonable interpretation than the interpretation
14 that the Division has advanced, which is that we
15 ought today, several years after the repeal of that
16 bill, to consider these, the additional subsidy being
17 proposed in the stipulation as being somehow
18 justified by House Bill 180, although it's repealed.

19 COMMISSIONER BOYER: And you maintain that
20 position even though -- you're calling them
21 "subsidies" and I refer to them as "subsidies."
22 Mr. Gimble would prefer "contributions" -- even
23 though those subsidies authorized under HB180 endured
24 long after the sunset period? In other words, they
25 make a payment to pay for 15 years or 20 years or

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1 whatever. The bill sunsets somewhere, you know,
2 three or four years later. Then is it your position
3 that those deals would be null and void after the
4 sunset, even though they were based on an
5 amortization over a longer period of time?

6 MR. BALL: Are you asking me if it's my
7 position that EAC rates in those specific
8 communities --

9 CHAIRMAN CAMPBELL: Yes.

10 MR. BALL: -- should have terminated back
11 in, what, 19 -- at the end of 1989? '99? Is that
12 what you're asking?

13 CHAIRMAN CAMPBELL: That is my question,
14 yes.

15 MR. BALL: That's a good question. I
16 mean, the reality is that what might have been
17 between 1999 and now, you know, is kind of history.
18 What we have to -- what the Commission has to worry
19 about is going forward. But I think what I'm trying
20 to say is that there's no House Bill 180
21 justification for the stipulation results.

22 Nobody did come forward and say, as a
23 result of the repeal of 180, either that the EAC
24 charges should no longer be paid or that the EAC
25 rates should be increased. That didn't happen. And

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1 I am not, at the moment, arguing that the EAC rates
2 for those areas should be increased. But I think
3 it's reasonable to suppose that such an argument
4 could be made, and it would fly directly counter to
5 the stipulation.

6 COMMISSIONER BOYER: I think I understand
7 your position. Let me ask another question based on
8 one of the statements you made in your argument or
9 testimony. Is it your position that the subsidies
10 enacted pursuant to HB180, did they render then-just
11 and reasonable rates unreasonable? Did you say that?

12 MR. BALL: Yes, I think I did.

13 COMMISSIONER BOYER: Then I guess my
14 following question would be: But if we as a
15 Commission were to order some sort of subsidy of
16 contribution, also being unjust and unreasonable in
17 your view, that would be impermissible, but the
18 Legislature can do it? We can't do it?

19 MR. BALL: Oh, no, I'm not saying that
20 they can, I'm just saying they did it. I'm not
21 saying that it was -- I'm not saying that it was
22 necessarily lawful for them to do what they did.
23 What they did and what the Commission at the time
24 implemented as a result of what they did was never
25 challenged. I think that it could have been

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1 challenged and the challenge might have succeeded.

2 COMMISSIONER BOYER: Do you think that
3 HB180 provides any guidance to us in terms of their
4 views of subsidization in certain circumstances? In
5 other words, are subsidies okay in some circumstances
6 and not in others?

7 MR. BALL: They haven't been okay since
8 1999, according to House Bill 180. That was it.

9 COMMISSIONER BOYER: Prior to '99?

10 MR. BALL: During that window of
11 opportunity. They gave a window of opportunity, and
12 Questar lost not a minute.

13 COMMISSIONER BOYER: Let me move on to one
14 last area of clarification. And you made some
15 comments about intent and motives of Questar, and
16 we'll deal with those in responding to Mr. Proctor's
17 motion. But in point of fact, if we approve the
18 stipulation, or if we reject the stipulation, Questar
19 collects basically the same amount of revenue; do
20 they not? GSS and EAC rates would continue on into
21 the future, unless challenged subsequently, or that
22 shortfall would be spread among GS-1 customers.

23 MR. BALL: I think I've heard counsel, all
24 the counsel for the Stipulants, tell the Commission
25 this morning that in their view, if the Commission
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1 rejects the stipulation, the Commission then needs to
2 address the application.

3 COMMISSIONER BOYER: But if that doesn't
4 happen, I mean, what I'm saying is: Does the Company
5 really have a dog in this fight? They get cost
6 recovery one way or the other way, unless there's a
7 further challenge.

8 MR. BALL: Oh, you have another
9 alternative in front of you. I mean, I've basically
10 proposed that you stick the Company with this lot. I
11 mean, that's a relief that I have specifically
12 requested on the record in this docket.

13 COMMISSIONER BOYER: I understand that.
14 In fact, I asked the question to the Company this
15 morning myself. I understand. Okay, I think I
16 understand your position. Thank you.

17 CHAIRMAN CAMPBELL: Who for the Company is
18 going to ask Mr. Ball questions? Or do you have any
19 questions for Mr. Ball?

20 MS. BELL: We do not have any questions
21 for Mr. Ball.

22 CHAIRMAN CAMPBELL: Mr. Ginsberg, do you
23 have any questions for Mr. Ball?

24 MR. GINSBERG: No.

25 CHAIRMAN CAMPBELL: Mr. Proctor?

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1 MR. PROCTOR: No questions.

2 CHAIRMAN CAMPBELL: All right. We will
3 adjourn this hearing until 5:30 this evening. Thank
4 you.

5 (Whereupon, the proceedings were
6 temporarily adjourned at 3:41 p.m.)

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1 CHAIRMAN CAMPBELL: All right. We're
2 going to go back on the record to conduct our public
3 witness portion of this hearing. For those public
4 witnesses that are here, you have the option of
5 providing sworn or unsworn testimony, and the
6 difference is that if you provide sworn testimony, we
7 can use it for a finding of fact, but the attorneys
8 are then allowed to cross-examine you. If you
9 provide unsworn testimony, then we can put on the
10 record what your opinion is, but we can't make a
11 finding of fact on that. So we'll ask you that as
12 you come forward.

13 The first public witness that we show is
14 Dee Hart. Can you come forward, please. I'll let
15 you come to the witness stand. Did you wish to
16 provide sworn or unsworn testimony?

17 THE WITNESS: I'll be sworn.

18 (The witness was sworn.)

19 CHAIRMAN CAMPBELL: Thank you. Please be
20 seated.

21 I'm going to ask Mr. Proctor to ask you a
22 few questions before you provide your testimony.

23 DIRECT EXAMINATION

24 BY MR. PROCTOR:

25 Q. Ms. Hart, if you would, would you state
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1 your name, spell for the reporter and also state your
2 records or business address.

3 A. Dee Hart, H-a-r-t. D-e-e H-a-r-t. 5437
4 Spinnaker Road, Murray, Utah, 84123.

5 Q. Ms. Hart, are you here testifying on your
6 own behalf or on the behalf of other persons?

7 A. Well, what other persons do you want to
8 know?

9 Q. Well, are you here just to testify on your
10 own behalf?

11 A. Well, I'm actually here because I feel
12 like I'm representing the consumers.

13 Q. Are you a customer of Questar Gas?

14 A. Yes.

15 Q. Do you have a statement that you wanted to
16 provide to the Commission?

17 A. Yes.

18 Q. Go ahead.

19 A. Well, first of all, one thing, I think
20 everything that happened here today, I've been here
21 all day long, and took time out from different
22 things, but I would like to see that everything that
23 happened here today is put in the record, even though
24 there was objections to that. Also, I got an
25 experience that I had about -- I don't know the exact

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1 date, probably two years ago. I called the gas
2 company. Of course, you can't go over there and see
3 anybody.

4 I tried to go over and see somebody. They
5 said, "Nobody is here at this building. Go down
6 to" -- what is it? -- First South is where the gas
7 company is. And the only people that are in there
8 are security guards and -- two security guards. So
9 she said I had to call on the phone if I wanted to
10 talk to anybody, so I did. But I called them and I
11 asked them if I could read my own meter, and she
12 said, "Yes, that's possible."

13 So in about a week's time I got these
14 cards in the mail. And so I read the meter I think
15 two times, two months. And then the next month they
16 called me and they said, "Well, it won't be necessary
17 for you to read the meter anymore because the
18 fellow's going to go by in a truck and he's going to
19 read the meters."

20 We have four meters outside the condos,
21 and there's four meters right in a row. And I had
22 been reading them -- my meter -- and so she said they
23 would be reading the meter from the road. And I
24 thought, Well, that's really weird. I want to read
25 my own meter, you know. And no, that's not the way

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1 it is.

2 So that was a question I was going to ask
3 anybody here that knows why you couldn't read your
4 own meter. So how am I going to know what the
5 reading is on that? I mean, I have no way of
6 knowing. It's like -- I felt like they might be
7 estimating it, and estimating my bill. So anyway, I
8 didn't argue with them. I just let them go ahead and
9 do it. That's my experience.

10 And then also I feel like I understand
11 that the amount that we're being charged for the gas
12 has gone up 105 percent. Now, to me that's just -- I
13 think that's outrageous that they are charging that
14 much more than they did, like, even two years or
15 three years ago, whatever it is. But it's just an
16 outrageous thing for them to do this.

17 And I really don't have a whole lot more
18 to say except that I have objections to -- I don't
19 feel that Roger Ball was treated right today in some
20 ways, because he was telling the truth. He's a very
21 truthful man, and he's doing this all by himself for
22 the consumers. And he's very dedicated to this whole
23 project.

24 CHAIRMAN CAMPBELL: Does that conclude
25 your statement?

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1 THE WITNESS: Yes.

2 CHAIRMAN CAMPBELL: Any questions?

3 MR. GINSBERG: No.

4 MS. BELL: No.

5 CHAIRMAN CAMPBELL: Thank you, Ms. Hart.

6 We'd encourage the Company, maybe before you leave to
7 today, to talk to you off line, outside this hearing,
8 to answer your question about your meter.

9 All right. Dan Kennelly, please come
10 forward. Do you desire to provide sworn or unsworn
11 testimony?

12 THE WITNESS: I'll swear.

13 (The witness was sworn.)

14 CHAIRMAN CAMPBELL: Thank you. Please be
15 seated.

16 Mr. Proctor?

17 DIRECT EXAMINATION

18 BY MR. PROCTOR:

19 Q. Is it "Kenn-er-lee"? Is that correct?

20 A. "Ken-ell-ee."

21 Q. "Ken-ell-ee." Sir, if you can state your
22 name and spell it for the reporter, and then state
23 your business address, your residence or business.

24 A. My name is Dan Kennelly, D-a-n
25 K-e-n-n-e-l-l-y. My address is 421 East Montgomery

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1 Drive in Sandy, 84070. What else would you like?

2 Q. Sir, do you have a statement you wish to
3 provide to the Commission?

4 A. Yes, sir.

5 Q. Please.

6 A. In following the scenario, and I pay the
7 gas bill and have done for the last 35 years in my
8 home, and over that period of time and watching the
9 changes and so on and so forth, and watching my gas
10 bill continually go up and see the changes in the
11 system and the names of the Company, I remember when
12 it was Mountain Fuel Supply Company, and the scenario
13 was, and what they tried to do was raise the rates.

14 So what they did was they had the
15 attorneys for Mountain Fuel Supply draw up the
16 documents and so on to do away with the Public
17 Service Commission. They had the legislator from
18 Kamas present that to the State Legislature, who
19 approved it and passed it. Before that law could be
20 put into effect, people found out about it and
21 objected to it, and they cancelled that law.

22 And in that time since, they supervised
23 the gas company, and I don't remember the exact
24 dates, but you can go back and check the history of
25 it. What they started doing and what Mountain Fuel

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1 Supply Company did was came up with the idea that
2 we'll have this Division over here, for example, for
3 the wells. We'll call that Wexpro. Wexpro will make
4 a profit, and we take that over here, and then we'll
5 take it over here to Mountain Fuel, and we'll take it
6 over there and then we'll transport it in the lines
7 to the customers.

8 And in following the scenario of Questar
9 Gas, it appears that they have done the same thing to
10 a further extent. And since it's supposedly [sic] to
11 be a government-regulated monopoly, the State, in my
12 opinion, should have complete control over the rate
13 structure, how it's arrived at and so on.

14 It appears to me -- and just in the last
15 couple of weeks I saw a notice in The Salt Lake
16 Tribune. It shows that Questar Gas has this
17 division, which is the wells. We put it in the
18 wells, into the pipe here. We take the profit there
19 from the well, and we put it in over here. We take
20 it out of this one over here. We take another profit
21 there. Then we move it over here and we take another
22 profit over here. We take it down here. We get
23 another profit here. Then we take it over to the
24 customer. Now we're going to put in a house, so
25 we'll take another profit over here.

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1 Not only that, last winter, just about the
2 end of the year, there was a little notice that the
3 president of Questar Gas was given a bonus of
4 approximately a million dollars. And I'm thinking,
5 Wait a minute. When does somebody that's controlled
6 by the State or works for the State or is supervised
7 by the State ever allowed to take a bonus? State
8 employees don't get a bonus that I never know of
9 [sic].

10 My father was a state employee for 49
11 years. My granddad was a state employee for 45
12 years, and they never got a bonus. So why does the
13 president of the gas company get a bonus of a million
14 dollars? My rates have gone continually up. Like I
15 say, I've lived in the same house for 35 years. It
16 started out, and I paid the gas bill every month
17 because I still have the gas bill on, and if you
18 don't pay the bill they turn it off. My bills for
19 this last winter for the coldest three months have
20 been \$292, \$294, and \$296, and my house has
21 700 square feet. And if that is what is fair,
22 somebody's screwed up my brains. This is absolutely
23 and positively -- if the gas company is a regulated
24 monopoly, most companies -- not only that, but not
25 too long ago the stock price of Questar Gas was \$2.50
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1 a share.

2 I don't know what it is today, but it's in
3 excess of \$90 a share today. There's only one thing
4 that I know of that makes stock go up, and that's
5 profit. Now, if it's worth over \$90 today and it was
6 only worth \$2.50 before, what happened in the interim
7 and how did it get to be valuable? The only thing
8 that makes it valuable is income to the Company.

9 And I don't think it takes a genius to
10 figure out that they've got a lot of income.
11 Expenses are relatively the same. You know, they
12 still got -- they've got more customers today that
13 they've ever had. Once you put the gas in the line,
14 it goes to the customer, goes through the meter, and
15 they send you a bill. That's quite simple, you know.

16 But anyway, I don't feel like that -- and
17 the little article in the paper showed the various
18 divisions of Questar Gas, except one. And over here
19 was another one, and that was an off item over here,
20 and it's very simple. If these, you take the profit
21 from these and you put it over to this one, and this
22 is not regulated, and it's still Questar Gas,
23 somebody is lying, either that or the State is not
24 supervising this company. I don't think that's any
25 great, big secret.

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1 Now, if they have this over here and it's
2 not regulated, what happened to the rest of these
3 departments of the gas company? If they're
4 regulated, why isn't that one? It is very remindful
5 of a company called Enron. Now, Enron, if you look
6 at the Company and their operation, of course, it
7 bankrupted the State of California. And the thing of
8 it is, the scenario, as I see it, follows very
9 closely to the operation of Enron Corporation.

10 And, therefore, I think that -- why
11 doesn't the State just take it over and say, "Look.
12 Okay, tell you what we'll do. You can run the
13 company, and we'll give you X number of dollars, and
14 amend that profit. That's simple enough. But you
15 can't divide it up and you can't take a profit for
16 every part of it. You've got to take one profit for
17 the whole company." And that's the way I see it.

18 CHAIRMAN CAMPBELL: Thank you for your
19 statement. Are there any questions?

20 MS. BELL: No.

21 MR. GINSBERG: No questions.

22 MR. PROCTOR: No questions.

23 CHAIRMAN CAMPBELL: Thank you, Mr.
24 Kennelly.

25 Raye Nielsen? Do you wish to provide
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1 sworn or unsworn testimony?

2 THE WITNESS: Sworn.

3 (The witness was sworn.)

4 CHAIRMAN CAMPBELL: Thank you. Please be
5 seated.

6 Mr. Proctor?

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

8 DIRECT EXAMINATION

9 BY MR. PROCTOR:

10 Q. Ms. Nielsen, if you could state your name,
11 spell it for the reporter, and your business or
12 residence address, that would be helpful.

13 A. It's Raye, R-a-y-e, Nielsen,
14 N-i-e-l-s-e-n, 10478 South 700 East.

15 Q. Ms. Nielsen, do you have a statement that
16 you wish to give to the Commission?

17 A. Yes, I have a statement in two parts.
18 First of all, I'm here not in just my own behalf, but
19 all the thousands of consumers across the State. And
20 my conditions -- and I don't mean to be pouring out
21 my heart, but my conditions are such that I have only
22 my own income. And it's not just the gas rates, but
23 all consumer products are going up.

24 But today we're addressing the gas rates,
25 and I have the same concerns that have been stated

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1 here previously by Dee and Dan. I actually, without
2 exaggeration, during the winter months, just wait for
3 that gas bill to come in, because that is my biggest
4 expense for the month during each of the winter
5 months. And I do, I actually wonder how I'm going to
6 pay it.

7 And there have been a couple times that
8 I've had to divide, either in half, or taken a
9 portion of it off and only paid part of the bill,
10 because I really, honestly could not pay it. And I
11 know that there are thousands of people out there
12 just like me with the same conditions, wondering how
13 they're going to meet their monthly expenses. And it
14 is, it's a terrible concern. And I personally agree
15 with what has been said as far as the rate being
16 increased. I think it's very unfair.

17 The second part to my statement is that
18 many years ago I had a business of my own. It was
19 just a small business, but a business that was
20 needed, and every bit of development that went into
21 that business, every piece of equipment -- by the
22 way, it was a small cement company with two trucks,
23 and a skip loader and some other things -- but
24 everything I developed was out of my own pocket. And
25 I had to shuffle money around, and sometimes my four
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1 men on the payroll took home more money than I did.

2 But my point is this: Anytime you have a
3 business, it is only fair to assume that the
4 equipment, the development, the payroll is your own
5 expense. And I feel that the CEOs of this Questar
6 Gas, any shareholders in Questar Gas, are not going
7 to be thrown into starvation if they just simply
8 consider the consumers, and price the monthly bills,
9 especially in the winter, of course, in a more
10 considerate manner.

11 And that's why I'm here, to appeal for
12 more consideration, not just for myself, but I know
13 many people who are in the same condition of concern,
14 and especially in the winter months. Now I believe
15 that's all that I have to say, but I understand that
16 the Questar Gas is going to do some development and
17 pipelines and so forth, and I feel that it should be
18 their responsibility, their liability, not the
19 consumers'.

20 CHAIRMAN CAMPBELL: Thank you, Ms.
21 Nielsen.

22 Any questions for Ms. Nielsen?

23 MS. BELL: No.

24 MR. GINSBERG: No questions.

25 CHAIRMAN CAMPBELL: All right, thank you.

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1 Mr. Harris?

2 Do you wish to provide sworn or unsworn
3 testimony?

4 THE WITNESS: Unsworn, please. Unsworn.

5 CHAIRMAN CAMPBELL: Okay. Please be
6 seated.

7 Mr. Proctor?

8 DIRECT EXAMINATION

9 BY MR. PROCTOR:

10 Q. Mr. Harris, if you could state your name
11 and spell for the reporter and also your business or
12 residence address.

13 A. Mark Harris is the name, H-a-r-r-i-s. I'm
14 manager of Kiva Energy. We're at 1655 West
15 1900 North in Salt Lake.

16 Q. And do you have a statement that you wish
17 to provide?

18 A. Yes. I'd like to provide a brief
19 statement that I represent the propane industry here,
20 and we feel like we provide excellent service to the
21 rural community, and don't see a need to subsidize
22 Questar's expansion into rural Utah, and kind of
23 wanted to be available for questions if there are any
24 on that.

25 CHAIRMAN CAMPBELL: All right. Any

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1 questions?

2 MR. GINSBERG: Well, the witness is
3 unsworn.

4 CHAIRMAN CAMPBELL: Right. So by being
5 unsworn, it precludes the attorneys from asking you
6 questions.

7 THE WITNESS: Okay. I'm happy to go on
8 the record, then.

9 CHAIRMAN CAMPBELL: Why don't you go ahead
10 and stand up.

11 (The witness was sworn.)

12 Thank you.

13 Now he's open for questions. Are there
14 any questions for Mr. Harris?

15 MR. GINSBERG: I have no questions.

16 THE WITNESS: If I could add to my
17 statement, the propane industry's, you know, mission
18 is to supply rural parts of the community, and we
19 have a vibrant, competitive industry across the whole
20 country. Our duty, I feel, is to supply areas where
21 the gas pipelines don't go to, and to meet it across
22 the country. It's just not standard to have the
23 utility company subsidize their expansion. That's --
24 our industry makes its business out of that. We
25 provide service to rural areas because the pipelines

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1 can't, you know, afford to go certain distances, you
2 know, certain expenses, that kind of thing. So
3 that's our position. And I was requested to come
4 here to represent our industry if there's any
5 questions for us here.

6 CHAIRMAN CAMPBELL: Does it make a
7 difference whether gas service is already there or
8 not? I mean, I understand in a new area. Let's say
9 in a current area someone's paying an extra \$30 a
10 month for the natural gas service, and the proposal
11 before us today is to remove that addition, do you
12 see that as anti-competitive? Do you compete with
13 the gas company in current communities?

14 No, we don't. I feel like there's not a
15 choice, once a gas line is connected to that
16 community. But I also spoke in opposition to the
17 Panguitch expansion, and then Questar was very clear
18 how that was going to be funded, that the money was
19 going to be put on top of the residents who opted for
20 that expansion. That was my understanding of it.

21 So now their going back and looking for
22 help for their past expansion, to me is kind of going
23 back on how that expansion was done.

24 CHAIRMAN CAMPBELL: All right.

25 THE WITNESS: And to follow up on that, I

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1 mean, the next step is they're going to ask for, you
2 know, further expansion and subsidize that. So to
3 me, it's Questar just keeps going back to the till
4 for more expansion, and they want to connect the
5 whole state, which is really not economically viable.

6 CHAIRMAN CAMPBELL: Thank you, Mr. Harris.
7 There's no further questions. Thank you for being
8 here.

9 MR. BALL: Chairman, I wonder if I could
10 just ask Mr. Harris a couple of questions. Would
11 that be okay?

12 CHAIRMAN CAMPBELL: Go ahead.

13 MR. BALL: Mr. Harris, hello. My name's
14 Roger Ball.

15 CROSS-EXAMINATION

16 BY MR. BALL:

17 Q. Thank you for telling us that you were
18 involved in the Panguitch case back in -- what would
19 that have been? 1996, '97 time?

20 A. Right.

21 Q. Are you able to give us a sense of the
22 impact on the propane industry of that Questar system
23 expansion and all the others? I mean, there have
24 been numerous ones since into various communities,
25 and there were huge expansions into southern and

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1 southwest Utah previously. How has that affected the
2 propane industry in Utah?

3 A. Roger, that's been a significant fact on a
4 lot of small businesses where they specifically
5 market to that small town, rural community. And then
6 Questar kind of comes in as the big company and
7 basically takes over a market. And propane cannot
8 compete with that. We're gas beyond the mains, is
9 what we are. So it was a tough situation for a lot
10 of small businesses.

11 Q. Are you able to give the Commission a feel
12 at all as to whether, and if so how many, propane
13 businesses that used to supply the fuel in those
14 areas are simply just no longer there?

15 A. I probably couldn't speak to that
16 directly, as far as how many.

17 Q. Do you think there have been some?

18 A. Probably some. I couldn't tell you a
19 number, but, I mean, thank goodness you have economic
20 growth and additional businesses out there. But to
21 me, Questar just keeps expanding their service areas,
22 which means a shrinking market share for our
23 industry.

24 CHAIRMAN CAMPBELL: Thank you very much.

25 Thank you, Chairman.

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1 CHAIRMAN CAMPBELL: Thank you, Mr. Harris.

2 Anybody else, Ms. Murray?

3 All right. Thank you very much. We will

4 adjourn and take the matter under advisement.

5 (Whereupon, the proceedings were

6 concluded at 5:56 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)

 This is to certify that the foregoing Public Service Commission hearing held before Chairman Campbell and the Public Service Commission was held in the State of Utah;

 That the above-named proceedings were taken by me in stenotype, and thereafter caused by me to be transcribed into typewriting, and that a full, true, and correct transcription of said testimony so taken and transcribed is set forth in the foregoing pages.

 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 6th day of April, 2007.

 My commission expires:
 May 24, 2007

Kathy H. Morgan, CSR, RPR