

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the)	Docket No. 07-057-13
Application of Questar Gas)	Direct
Company to Increase)	Testimony of
Distribution Non-Gas Rates)	Dr. J. Randall Woolridge
And Charges and Make)	For the Committee of
Tariff Modifications)	Consumer Services

March 31, 2008

**CAPITAL STRUCTURE, RETURN ON EQUITY, AND
OVERALL FAIR RATE OF RETURN**

DIRECT TESTIMONY AND EXHIBITS

OF

DR. J. RANDALL WOOLRIDGE

ON BEHALF OF

THE UTAH COMMISSSTE ON CONSUMER SERVICES

MARCH 31, 2008

QUESTAR GAS COMPANY

DOCKET NO. 07-057-13

Direct Testimony of
Dr. J. Randall Woolridge

TABLE OF CONTENTS

I.	Subject of Testimony and Summary of Recommendations	.	.	.	1
II.	Capital Costs in Today's Markets	.	.	.	5
III.	Comparison Group Selection	.	.	.	9
IV.	Capital Structure Ratios and Debt Cost Rates..	.	.	.	10
V.	The Cost of Common Equity Capital	.	.	.	11
	A. Overview	.	.	.	11
	B. Discounted Cash Flow Analysis	.	.	.	20
	DCF Recommendation	.	.	.	31
	C. Capital Asset Pricing Model Analysis	.	.	.	31
	CAPM Recommendation	.	.	.	53
	D. Equity Cost Rate Summary.	.	.	.	53
VI.	Critique of QGC's Rate of Return Testimony	.	.	.	58
VII.	Summary	.	.	.	85
	APPENDIX A - Qualifications of Dr. J. Randall Woolridge	.	.	.	

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Title</u>
JRW-1	Recommended Cost of Capital
JRW-2	Summary Financial and Risk Statistics for Proxy Groups
JRW-3	Capital Structure Ratios
JRW-4	Public Utility Capital Cost Indicators
JRW-5	Industry Average Betas
JRW-6	DCF Study
JRW-7	CAPM Study
JRW-8	Historic Equity Risk Premium Evaluation