

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE) Docket No. 07-057-13
APPLICATION OF QUESTAR)
GAS COMPANY TO) TRANSCRIPT OF
INCREASE DISTRIBUTION) PROCEEDINGS
NON-GAS RATES AND)
CHARGES AND MAKE)
TARIFF MODIFICATIONS)
)

February 8, 2008 * 9:00 a.m.

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

Commissioners: Ted Boyer, Chairman
Richard Campbell, Commissioner
Ron Allen, Commissioner

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

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3 CHAIRMAN BOYER: This is the time and
4 place duly noticed for the Test Year Hearing in
5 Docket 07-057-13 captioned In The Matter of
6 Application of Questar Gas Company to Increase
7 Distribution Non-Gas Rates and Charges and Make
8 Tariff Modifications.

9 We've spoken off the record about the way
10 we're going to proceed this morning. We're going to
11 attempt to use a panel format giving panelists an
12 opportunity to give a summary of their Prefiled
13 Testimony and to also give live surrebuttal, I guess
14 we'll call it today, reaction to the other panelists'
15 testimony that has been filed in recent days.

16 Now, once again I will say, we have read
17 all the pleadings, we truly have read them, and your
18 summaries can be very short. We understand what the
19 positions of the parties are, we understand what the
20 proposed test years are, we understand from the
21 written testimony what the rationale is, the
22 reasoning behind those different test years proposed.

23 So I guess I would urge you to tell us
24 something we don't know or at least focus on
25 convincing us why your test year, I mean, that's the
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1 issue before us, why your test year is the one we
2 should adopt in this particular case.

3 Having said that, let's make appearances
4 for the record and then we'll swear all of the
5 panelists.

6 Mr. Proctor, why don't you start at your
7 end.

8 MR. PROCTOR: Thank you.

9 Paul Proctor on behalf of the Utah
10 Committee for Consumer Services.

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

13 MS. BELL: Colleen Larkin Bell and Gregory
14 B. Monson on behalf of Questar Gas Company.

15 MR. DODGE: Gary Dodge on behalf of the
16 Utah Association of Energy Users.

17 MR. EVANS: William Evans of Parsons,
18 Behle & Latimer on behalf of the Industrial Gas Users
19 Association.

20 MR. BALL: Roger J. Ball on my own behalf.

21 CHAIRMAN BOYER: Thank you all and welcome
22 this morning.

23 So, Ms. Bell, you have two witnesses and
24 Mr. Proctor one witness?

25 MR. PROCTOR: Two.

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1 CHAIRMAN BOYER: Two witnesses as well.

2 Mr. Ginsberg, you have Dr. Zenger?

3 MR. GINSBERG: One.

4 CHAIRMAN BOYER: Mr. Dodge, you have Mr.
5 Higgins.

6 MR. DODGE: Correct.

7 COMMISSIONER BOYER: And Mr. Evans?

8 MR. EVANS: We have no witnesses.

9 CHAIRMAN BOYER: And Roger Ball is going
10 to testify for himself. Okay. Will those panelists
11 then identified please stand and I'll swear them all?
12 Ms. Bell has a question.

13 MS. BELL: As a preliminary matter, I
14 probably should move the admission of Mr. Allred and
15 Mr. Mendenhall's testimony and just get that on the
16 record, those portions --

17 CHAIRMAN BOYER: That's fine. Let's do
18 that now.

19 MS. BELL: I would move to admit Alan
20 Allred's Direct Testimony premarked as QGC 2.0 with
21 attached exhibits 2.1 through 2.9, and Kelly D.
22 Mendenhall's Direct Testimony premarked as QGC
23 Exhibit 6.0 with attached Exhibits 6.1 through 6.4.

24 CHAIRMAN BOYER: Is there any objections
25 to the admission of the testimony of these witnesses?

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1 MR. PROCTOR: No objection.

2 CHAIRMAN BOYER: Mr. Ginsberg.

3 MR. GINSBERG: No objection.

4 MR. BALL: Mr. Chairman?

5 CHAIRMAN BOYER: Mr. Ball?

6 MR. BALL: Forgive me. Should -- I don't
7 know. Should those gentlemen be sworn before their
8 testimony is admitted?

9 COMMISSIONER BOYER: They're already of
10 record.

11 MS. BELL: And there's a Sworn Statement
12 accompanying those.

13 MR. BALL: Thank you for clarifying that,
14 Ms. Bell.

15 COMMISSIONER BOYER: Those exhibits, then,
16 QGC 2.0, I believe, together with exhibits and 6.0
17 with exhibits, the testimony of Mr. Allred and Mr.
18 Mendenhall, are admitted.

19 Now let's have the panelists stand and
20 we'll swear them at this point. Including you, Mr.
21 Ball. Thank you.

22 Please raise your right hand. Do you
23 swear that the testimony you're about to give in this
24 proceeding shall be the truth, the whole truth and
25 nothing but the truth?

26

1 (Witnesses answered in unison "Yes.")

2 CHAIRMAN BOYER: Thank you very much. You
3 may be seated.

4 Let's begin with the Company witnesses.
5 And then maybe we'll start to my left this time and
6 go around to the right and see how that works.

7 Ms. Bell?

8 MS. BELL: I would like to call Mr. Barrie
9 McKay.

10 BARRIE MCKAY,
11 called as a witness, was examined
12 and testified as follows:

13

14 DIRECT EXAMINATION

15 BY MS. BELL:

16 Q. Please state your name for the record.

17 A. Barrie L. McKay.

18 Q. By whom are you employed?

19 A. Questar Gas Company.

20 Q. And what is your title at Questar?

21 A. I'm manager of Regulatory Affairs.

22 Q. Did you file Direct Testimony to be marked
23 as McKay Direct QGC 1.0 with five attached exhibits?

24 A. Yes.

25 Q. If you were asked the same questions today

26

1 that were in your testimony, would your responses be
2 the same?

3 A. Yes.

4 Q. Do you have any corrections to your Direct
5 Testimony?

6 A. I do have one that I think would help to
7 clarify. If you would turn to page 5 of that
8 testimony, line 118, 118, and actually, starting with
9 the line before, it says, "With respect to O&M
10 expense, Mr. Curtis QGC Exhibit 5.2 shows that for
11 the last six years the Company's actual expenditures
12 have been, on average," and if you would insert the
13 word "within," "3.2 percent."

14 Q. Do you have any other corrections?

15 A. None.

16 MS. BELL: I would like to move at this
17 time for admission of Barrie McKay's testimony marked
18 as QGC 1.0 with accompanying exhibits.

19 MR. PROCTOR: No objection.

20 CHAIRMAN BOYER: Any objections to the
21 admission of Mr. McKay's written testimony?

22 Okay. Exhibit QGC 1.0 with attached
23 exhibits is admitted into evidence. Thank you.

24 Q. (BY MS. BELL) Mr. McKay, could you please
25 provide a limited summary of your testimony at this

26

1 time?

2 A. Yes, I could. In fact, to do that, I
3 would appreciate it, and we've got copies in case
4 others have not particularly come with all of the
5 exhibits, but I think it's easiest just to talk with
6 an exhibit, it's Exhibit 1.2 that is part of what was
7 just admitted on the record.

8 This exhibit titled "Forecasted Test Year
9 Best Reflects the Rate-Effective Period," I thought
10 it would be helpful if we kind of identified exactly
11 where we are in the process, attach some dates to
12 some diagrams that we have here. But the number one
13 point here, Historical Test Year, that shows the
14 graph that has a representation of costs that are
15 increasing, is identified in our case as simply our
16 June '07 test period or base case.

17 Following June '07, you see the small area
18 on the graph that is identified as the Preparation of
19 Case, we begin preparing our case, and it was up
20 until that case there was a small line, December 19th
21 of last year, 2007, when we filed our case. At that
22 point begin the 240 days in which we are already in
23 the process of going through the process in this case
24 now.

25 Then, and I don't think we have any
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1 disagreements that I heard yesterday and would be
2 surprised if we heard any today, that the
3 rate-effective period would begin on August 15th, and
4 as Ms. DeRonne identified yesterday, be a rate year
5 or a rate-effective period most commonly identified
6 as a 12-month period.

7 And what's before the Commission is to
8 identify what best reflects this future period of
9 time when rates are going to be in effect. And by
10 its very nature, this test period that we are
11 haggling or discussing about is a forecast. I think
12 that's a little different than how it was perhaps
13 shaped in the past in some of our discussions.

14 So this future test period we could choose
15 to use an historical test year to forecast this
16 future, we could choose to use a mid year or a closer
17 in time period to forecast this rate-effective period
18 and the conditions, or we can choose to attempt to
19 project and forecast the conditions that will occur
20 during this rate-effective period.

21 I think the summary of Dr. Alfred Kahn,
22 he's Chairman of the New York Public Service
23 Commission, I think some of us may have read some of
24 his writings, but -- I actually wouldn't mind quoting
25 him because I think that summarizes what's being

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1 illustrated in this exhibit. And he says this: "The
2 fact is that regulatory commissions have always been
3 in the business of projecting whether they knew it or
4 not. When they used historical test year statistics,
5 fully verifiable and verified, graven in stone, as a
6 basis for future rates, they were in fact projecting.
7 They were assuming that the future would be similar
8 to the past. It is no more speculative, then, to
9 make the best possible estimate of future costs when
10 setting future rates. Honesty compels it," closed
11 quote.

12 Now, the fact that we might have something
13 printed in a grayback or that it's closer in time may
14 lead some to believe that there's a degree of
15 soundness or quality that appears to exceed a
16 forecast of a rate-effective period. However, when
17 conditions are in a state of change or increasing
18 costs, which is very descriptive of what this company
19 now faces, historic data are likely to be the most
20 unreliable measuring in putting together a test
21 period of the conditions related to the future needs
22 while projected data using the standard forecasting
23 will possibly miss, okay, the mark. Historical data
24 with its patchwork of updating or an admitted closer
25 in time period will surely miss the mark of our

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1 future forecasted rate-effective period.

2 As imprecise as our 18 month or perhaps
3 even 20-month forecast may be, a projected test year
4 with data based on reasonable forecasts should
5 consistently come closer to representing future
6 conditions than will historic data or forecast that
7 is simply closer but not representative of the
8 rate-effective period.

9 Our goal is to identify a test period that
10 best reflects the conditions that are expected to
11 occur. And here's our key, and I think it's fair for
12 all parties involved, and that is, this test period
13 with its forecasts and projections must have the
14 likelihood of it being too high, equal to the
15 likelihood of it being too low. If it isn't, then we
16 haven't created the proper test period.

17 Q. Does that complete your summary,
18 Mr. McKay?

19 A. Yes.

20 CHAIRMAN BOYER: Ms. Bell, following
21 should we try Mr. Monson's suggestion and see if
22 Mr. McKay has response to the other panelists'
23 Rebuttal Testimony at this point.

24 MS. BELL: I think he probably did it in
25 that summary.

26

1 MR. MCKAY: As far as the summary I think
2 I've identified that. And Mr. Curtis has prepared
3 exact Rebuttal Testimony and as a panel we'll see
4 where we go.

5 CHAIRMAN BOYER: Thank you, Mr. McKay.
6 Ms. Bell?

7 MS. BELL: I would like to call Mr. Curtis
8 at this time.

9 DAVID M. CURTIS,

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11 called as a witness, was examined

12 and testified as follows:

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14 DIRECT EXAMINATION

15 BY MS. BELL:

16 Q. Mr. Curtis, please state your name for the
17 record.

18 A. My name is David M. Curtis.

19 Q. And by whom are you employed?

20 A. By Questar Gas Company.

21 Q. And what is your title at Questar Gas
22 Company?

23 A. Vice President and Controller.

24 Q. Did you file Direct Testimony premarked as
25 Curtis Direct QGC 5.0 with 23 exhibits and Test Year

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1 Rebuttal Testimony premarked as QGC Exhibit 5TYR in
2 this docket?

3 A. Yes, I did.

4 Q. If you were asked the same questions today
5 as you were asked in the Prefiled Testimony, would
6 your answers be the same?

7 A. Yes.

8 Q. Do you have any corrections to that
9 testimony?

10 A. No.

11 MS. BELL: I would move at this time for
12 the admission of Curtis Direct QGC 5.0 and
13 accompanying exhibits and QGC Exhibit 5TYR.

14 CHAIRMAN BOYER: Any objections to the
15 admission of Mr. Curtis' testimony?

16 MR. PROCTOR: No objection.

17 MR. GINSBERG: No.

18 CHAIRMAN BOYER: Okay. Exhibits QGC 5.0
19 and 5TYR, together with exhibits, are admitted into
20 evidence. Thank you.

21 Q. (BY MS. BELL) Mr. Curtis, do you have a
22 summary of your testimony for the purpose of test
23 period in this case?

24 A. Yes, I do.

25 Q. Would you please give that?

26

1 A. Yes. Pardon me, I lost my voice this
2 morning.

3 What I would like to talk about for a few
4 minutes this morning is, in my testimony I talk about
5 our forecasting process, and then I would like to
6 talk about some of the --

7 COMMISSIONER BOYER: Would you make sure
8 your mic is on, please?

9 MR. CURTIS: Oh, sorry.

10 COMMISSIONER BOYER: Thank you.

11 MR. CURTIS: Now I would like to talk
12 about some of the specific components of that
13 forecast that I think influence the selection of a
14 test year.

15 First of all, we do have a fairly rigorous
16 planning and budgeting process. It is both top down
17 and bottom up in nature. In other words, we look at
18 the total and try to estimate. We also do a lot of
19 work gathering data from our budget center managers
20 from around the country -- the Company and then try
21 to make those match up so we have a consistent set of
22 numbers.

23 Our intent with our forecast is the most
24 likely amount, just as Barrie said, we would like to
25 see our risk most likely in one direction or another
26

1 equal. Historically our forecasting process has been
2 accurate, our capital budgets have averaged within
3 5 percent, excluding some unusual items, our
4 operating expense budgets have averaged within
5 1 percent, excluding unusual items.

6 I think the important thing to note in our
7 forecasting is there are many components that are
8 tied together, linked together in a forecast. For
9 example, planned accumulated depreciation,
10 depreciation expense, deferred taxes, number of
11 customers, usage per customer, operating and
12 maintenance expenses, contribution in aid of
13 construction, property taxes, capital structure, are
14 all tied together. And if you change one component
15 of these then you have to consider what changes and
16 impact it might have on all of the those other
17 components so that the forecast stays linked together
18 and has integrity.

19 Just a little bit talking about some of
20 the components of our forecast. We have assumed some
21 inflation as we are seeing in our forecast. We have
22 assumed a 2.5 percent annual general inflation rate
23 for items that cannot be identified directly. This
24 is, I believe, a conservative estimate. The actual
25 2007 inflation rate as measured by the CPI was 4.1

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1 percent, a significant change from what we have seen
2 in recent years. For our labor cost inflation we
3 have used 4.5 percent rate based on specific weight,
4 studies and experience in hiring employees. As I
5 noted, where possible we have tried to look beyond
6 just specific -- or generalized inflation rates to
7 specific cost changes to measure those changes. And
8 overall we believe our cost changes are conservative.

9 I would like to talk a little bit about
10 customer growth. We have seen some slowdown in
11 customer growth in the recent years. And in fact, in
12 our case we filed a different set of numbers than was
13 in the IRP filed back in the spring of 2007. The
14 reason for that is we've seen some significant
15 changes, and the significance lies in the growth in
16 customers. And we believe we have taken into account
17 in our numbers a fairly significant slowdown in home
18 construction and the addition of new customers. We
19 have not assumed a major meltdown in the economy,
20 however.

21 I think it is important to note, though,
22 that the customer growth projections may not have a
23 significant impact on the rates charged on a per
24 decatherm basis because of the -- all the components
25 are tied together. If we don't have customers, to

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1 some extent we don't spend the same amount of plant,
2 we don't have the same amount of expenses. If you
3 flow that all through, the change on the actual per
4 decatherm cost may not be significant.

5 Another change that is significant in our
6 forecast is our usage per customer. We are seeing a
7 significant change in our usage per customer. In
8 fact, our temperature adjusted usage dropped 6
9 percent in 2007. That is a significant change and a
10 steeper slope than we have seen in many years. We
11 believe some of this is the result of our demand side
12 management conservation program that we've
13 implemented, plus basic public perception and
14 changing customer patterns.

15 Now, we do have a conservation enabling
16 tariff that can absorb small changes and differences
17 in what we project and what we actually incur in
18 usage per customer. However, because of the limits
19 on the accruals under the conservation enabling
20 tariff, we do believe it's necessary to update that
21 forecast of usage per customer.

22 We have noted in our testimony that one of
23 the main drivers and the reasons we are coming in for
24 a rate case is our feeder line replacement program.
25 This program is necessary to increase capacity for
26

1 existing customers and for long-term growth. It's
2 necessary for public safety and for compliance with
3 pipeline safety rules. This program is not
4 influenced by near term customer growth forecasts or
5 a possible recession.

6 We expect to spend \$45 million in 2008 and
7 an additional \$45 million in 2009 on this program.
8 The 2008 work has begun, we have a contractor in
9 place, the steel pipe for this has been purchased and
10 coated. This project, we are staying within existing
11 right of ways, we are still working to obtain all the
12 street cutting permits. We have published a time
13 schedule for the public so they can know and plan
14 around this major work as it's going on. The
15 \$45 million is basically the amount of work we expect
16 to be able to complete during 2008 based on the size
17 of the crews of the contractors and the amount of
18 work that we can get done.

19 One thing that is important to note with
20 the feeder lines is these are not -- it is not
21 dropped into rate base in one big lump sum. As we
22 progress on this project we make ties to the system
23 and as that is done then the segment is placed into
24 service. So it's not -- the \$45 million will flow
25 into service in several smaller sets, not in one big

26

1 lump number.

2 I believe that Questar Gas, in our
3 testimony, has supported a forecasted test year for
4 the year-ended June 30, 2009. Based on their
5 investment in the feeder line replacement, the growth
6 in number of customers, decline in usage per customer
7 and increased operating costs. I would note that I
8 believe our test year is conservative, not
9 aggressive.

10 First of all, the rate base components,
11 which are a major impact on the cost of service, are
12 averaged over a 13-month period beginning in June
13 2008 and ending in June 2009. That average is
14 really -- those balances would be what you would
15 expect those values to be close to December 31, 2008.
16 Expenses are as they actually are expected to incur
17 during that test year. We have not made
18 annualization adjustments, for example, on salaries
19 to roll those forward or anything like that, it is
20 what is expected to be incurred during that period.

21 As I mentioned, I believe our inflation
22 number factors are conservative, and I believe the
23 risk of costs being greater than forecast are
24 approximately equal to the costs of being lower than
25 forecast.

26

1 In my Rebuttal Testimony I support the
2 position of the Committee of Consumer Services and
3 the Division of Public Utilities. We believe it
4 would be helpful if the Commission were to make a
5 determination of the test year early in the process.
6 There's a lot of work to be done by all parties and
7 if we can focus on a test year, we believe that is
8 beneficial.

9 Finally, the test year decision should be
10 made by the Commission based on the facts and
11 circumstances for each utility and each time they
12 come in. I think the facts in our case support a
13 future test year. We have got significant investment
14 in plant, for feeder line replacement. I believe the
15 timing of this investment is being placed and the
16 service is known and measurable. We do have a
17 significant change in our usage per customer that I
18 believe is important to put into the test year, and
19 that can only be accomplished with the proper
20 forecast, and I believe that the forecasting in this
21 case is relatively simple. This is easy to do. We
22 don't have significant multistate allocation issues
23 and the case is only done with the distribution
24 non-gas revenues in our case.

25 So with that, I would encourage the
26

1 Commission to adopt a forecasted test year ending
2 June 30, 2009.

3 CHAIRMAN BOYER: Thank you, Mr. Curtis.

4 Ms. Bell, thank you.

5 Let's continue now with Mr. Ball. You
6 have some written testimony to get into the record
7 and this is your opportunity to also make a statement
8 and any response you would have to the other
9 panelists' rebuttal.

10

11 ROGER J. BALL,

12

13 called as a witness, was examined

14 and testified as follows:

15

16 MR. BALL: Well, Chairman, let me begin by

17 stating my name and address. I'm Roger J. Ball. My

18 address is 1375 Gentry Lane, Salt Lake City, 84121.

19 I'm appearing on my own behalf as a

20 residential ratepayer of Questar Gas Company, a

21 wholly-owned subsidiary of Questar Corporation.

22 There is no other supplier of natural gas to whom I

23 can turn because QGC has a monopoly where I live. To

24 the extent that there are other similarly situated

25 QGC ratepayers, their interest in these proceedings

26

1 may align with my own.

2 I'm the same Roger J. Ball who filed test
3 year testimony marked as RJB Exhibit 1.0 consisting
4 of eight pages, including Service Certificate,
5 together with RJB Exhibit 1.1, 1H, detailing my
6 qualifications and experience on the 28th of January,
7 2008. I also filed Test Year Rebuttal Testimony
8 marked RJB Exhibit 2.0, consisting of 11 pages
9 including Service Certificate on 5th February 2008.
10 My Rebuttal Testimony included some corrections to my
11 earlier testimony. I have no further corrections.

12 If I were asked the same questions today
13 that are in my prefiled written testimony and
14 Rebuttal Testimony my answers would remain the same.

15 Finally, I would like to offer my
16 testimony marked as RJB Exhibit 1.0, qualifications
17 and experience marked as RJB Exhibit 1.1, and
18 Rebuttal Testimony marked as RJB Exhibit 2.0 and ask
19 that they be admitted into evidence.

20 CHAIRMAN BOYER: Thank you, Mr. Ball.

21 Are there any objections to the admittance
22 of Mr. Ball's written testimony?

23 MR. PROCTOR: No objection.

24 MR. GINSBERG: No objection.

25 CHAIRMAN BOYER: Therefore, Exhibits RJB
26

1 1.0, together with exhibit, and RJB Exhibit 2.0 are
2 admitted into evidence.

3 Mr. Ball?

4 MR. BALL: Thank you, Chairman.

5 With respect -- since I haven't heard what
6 the other witnesses are going to say in their
7 presentation today, I would prefer to offer my
8 Surrebuttal a little later in this proceeding, but I
9 am prepared to go forward with a summary of my
10 Prefiled Testimony.

11 Questar Gas Company has failed to show
12 that it's underearning. Exhibit 2.9 accompanying Mr.
13 Allred's testimony shows QGC's annual earnings since
14 its last general rate increase. It demonstrates that
15 if the utility were going to plead that it had been
16 underearning as opposed to projecting that it was
17 going to underearn, it should have filed three years
18 ago because it earned its lowest percentage return on
19 equity since its last general rate case in 2004, a
20 10.05, a significantly lower proportion of its
21 authorized ROE than in the historic period for which
22 it provided data in its application July '06 to June
23 '07 when it earned 10.78.

24 Mr. Allred's testimony in the docket is
25 that QGC, quote, "Must look forward to 2008 returns

26

1 to determine the need for a general rate case,"
2 closed quote, claiming there's no case that Questar's
3 rates are inadequate, and the Commission is not
4 empowered to conduct a rate proceeding solely on the
5 basis that rates will be inadequate during some
6 future period.

7 Subsection 54-4-4(1) requires the
8 Commission to find that rates are, not will be,
9 inadequate before embarking on a rate case; neither
10 requires, nor does it authorize the Commission, to
11 find that rates should be adjusted because projected
12 returns fall below the authorized level. That
13 subsection also requires the Commission to conduct a
14 hearing to determine whether existing rates should be
15 changed before it sets about determining and ordering
16 new ones. That hasn't happened yet.

17 Questar Gas Company hasn't shown that the
18 test period it seeks best reflects the rate-effective
19 period. Subsection 54-4-4(3) in paragraph (a)
20 requires the Commission, if it selects a test period
21 at all, to select on the basis of evidence the one
22 that best reflects the conditions the utility will
23 experience while the rates are in effect.

24 QGC asserts that July '08 to June '09 best
25 aligns with the rate-effective period. The
26

1 Commission doesn't know what the rate-effective
2 period will be yet. It can't know, therefore, what
3 test period will best align with it. What it can
4 know is that the requested test period doesn't align
5 perfectly with a rate-effective year beginning on or
6 within a day or two of the 15th of August because the
7 dates don't match.

8 Ranging over the three-year period spanned
9 by QGC's historic unadjusted data set in its request
10 fully projected to test period, there are at least 24
11 possible 12-month test periods beginning on the first
12 day of the month and ending on the last. Only three
13 have been addressed by any of the parties.

14 Unless substantial evidence is laid before
15 the Commission to prove that none of the other 21 are
16 as good as or better than any of those three, the
17 Commission cannot reasonably find that any of these
18 three best reflects the rate-effective period. Bald
19 assertions from Questar Gas Company and the Division
20 that '08-'09 best reflect the rate-effective period
21 simply do not hold up to the legal standard of
22 evidence established by the Utah Supreme Court in the
23 wage case.

24 Moreover, without knowing what the
25 rate-effective period will be in this case, and
26

1 that's uncertain at present, the Commission couldn't
2 realistically evaluate which test period was best
3 reflective even if it had evidence before it covering
4 a wider range of possibilities.

5 I agree with the Committee that we all
6 need to know as early as possible in a rate case what
7 the test period will be, but quick and dirty won't do
8 when the mandate is to select the best.

9 The Commission has previously identified a
10 number of concerns with out-of-period adjustments and
11 future test periods. They apply quite sharply when
12 the range of options before the Commission is so
13 limited and the testimony far from comprehensive or
14 objective.

15 Mr. Allred testified that general rate
16 cases are an eight-month process. "We must look
17 forward to '08 returns to determine the need for a
18 general rate case," closed quote. However, much of
19 the increase Questar Gas Company seeks is related to
20 investment in new plant, plant for '08-'09, but that
21 may or may not come into service during that time
22 frame. Such expenditure is capitalized, put into
23 rate base and depreciated over many years. The
24 imbalances occur when customers are required to pay
25 for infrastructure before they receive benefits from

26

1 it. It's wholly inappropriate for ratepayers to
2 begin paying for such plant before it becomes used
3 and useful.

4 The utility is scarcely harmed when it can
5 accrue cost of work in progress as one of the
6 expenses to be capitalized and then to recover a
7 return on stockholders' equity throughout the period
8 the plant is in rate base. Often plant outlives its
9 depreciation life so ratepayers still benefit from it
10 at the back end of the cycle in a way that they do
11 not before it's brought into service. That
12 represents a far better balance between cost of
13 benefit to ratepayers and it doesn't harm
14 stockholders. It much better reflects both the costs
15 QGC can expect to experience during the
16 rate-effective period and the benefits customers will
17 actually receive as they pay the rates.

18 Ratepayers cannot be recompensed for delay
19 in project completion if depreciation and return on
20 equity is put into rates ahead of time and there is a
21 presumption in favor of future test years as well as
22 the rule against retroactive ratemaking. No one can
23 be certain when these projects will complete and they
24 shouldn't be in rates until they are complete and the
25 final, not forecast numbers, have been approved.

26

1 Questar will have the same certainty it
2 has had since 1929 of recovering its investment and
3 earning a reasonable return on equity over the
4 depreciation life of the plant. Regulatory lag
5 arising from the necessary time for a utility to
6 prepare an application for regulators and intervenors
7 to analyze its data and for the Commission to decide
8 the outcome is not a sufficient reason to select a
9 fully projected or even an historic with
10 out-of-period adjustments test period.

11 Ratepayers also suffer lag, here's that
12 balance thing again, when rates are too high and the
13 utility is protected by the 240-day limit that
14 ratepayers do not enjoy. So once again the historic
15 balance has been in favor of the utility, not
16 ratepayers, and a shift to a fully forecasted test
17 year or even including out-of-period adjustments,
18 shifts that balance further in favor of the utility
19 and against the interests of consumers.

20 The Commission has never before set rates
21 for Questar based on a projected test year. The rate
22 of return on equity has always been based upon the
23 risks the utility has faced when rates were based
24 upon an historic test year. The transition from an
25 historic to a future test year represents a major
26

1 shift of risk from stockholders to ratepayers that is
2 represented by the difference in revenue requirement
3 between QGC's requested test period and its historic
4 period.

5 In the limited time that I have had yet to
6 examine Questar's application, it appears that most,
7 if not all, of the \$27 million rate increase being
8 sought arises from the cost of future infrastructure
9 projects. On the face of it, then, the excess cost
10 to ratepayers of transferring risk from them to
11 stockholders, if the Commission selects the test
12 period Questar has asked for, is \$27 million or
13 thereabouts.

14 To the extent that the Commission selects
15 a test period other than '06-'07, I'm recommending
16 that it offset the cost to ratepayers of that shift
17 in risk by reducing the monetary value of the rate of
18 return on equity it would otherwise authorize for the
19 Company. If it does, indeed, select the test period
20 sought by Questar, it should reduce return on equity
21 by about \$27 million. Of course, as accounting
22 adjustments are applied in this proceeding, that
23 number should change accordingly.

24 The point is that for decades during which
25 historic test periods were the norm, ROE was what it
26

1 was and paid stockholders for the risk inherent in
2 rates thus set. Moving test periods into the future
3 results in incalculable additional revenues for the
4 utility at the expense of ratepayers.

5 54-4-4 doesn't address that issue. It
6 doesn't mandate that that not be allowed, it doesn't
7 mandate that it shouldn't be considered, and I am
8 recommending that the Commission should consider it
9 and should make such an appropriate offset so that as
10 stockholder risk is mitigated, the value of the shift
11 in risk is equal to the additional utility revenue
12 and a balancing factor is put in to make sure that
13 consumers are not unduly harmed by it.

14 And that concludes my summary of
15 testimony. Thank you, Chairman.

16 CHAIRMAN BOYER: Thank you, Mr. Ball.

17 Let's hear from Mr. Higgins now, if you
18 would.

19 MR. DODGE: Thank you, Mr. Chairman.

20

21 KEVIN C. HIGGINS,

22 called as a witness, was examined

23 and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. DODGE:

26

1 Q. Mr. Higgins, would you please state your
2 name and on whose behalf you're testifying.

3 A. My name is Kevin C. Higgins. I'm
4 testifying on behalf of UAE.

5 Q. And did you cause to be prepared Prefiled
6 Direct Testimony that we've marked UEA Exhibit TP1
7 and the attachment which is your vitae?

8 A. Yes.

9 Q. And is that your testimony in this
10 proceeding today?

11 A. Yes, it is.

12 MR. DODGE: All right. Your Honor, I
13 would move admission of Mr. Higgins' testimony and
14 ask him to provide a summary.

15 CHAIRMAN BOYER: Are there any objections
16 to the admission of Mr. Higgins' testimony, written
17 testimony.

18 MR. GINSBERG: No.

19 MS. BELL: No.

20 MR. PROCTOR: No objection.

21 CHAIRMAN BOYER: Very well. UEA TP1, I
22 believe it is, is admitted into evidence. Thank you.

23 Mr. Higgins?

24 MR. HIGGINS: Thank you, Mr. Chairman.

25 I am recommending the adoption of a
26

1 calendar year 2008 test period in this proceeding.

2 As Utah transitions from the use of an historical
3 test period to something else as required by statute,
4 I believe it is appropriate to use a fully projected
5 test period. I do believe, however, that a projected
6 test period that is closer in time to the present is
7 the most appropriate vehicle at this time. I think
8 that the calendar year 2008 test period balances the
9 interests of the Company in having the ability to
10 recover its prudently incurred costs and at the same
11 time addresses a number of the concerns that this
12 Commission identified in 2004 with respect to the use
13 of a future test period.

14 I also believe that the recent adoption by
15 the Commission of a conservation enabling tariff on a
16 pilot basis for Questar Gas Company addresses the
17 primary revenue attrition concern that the Company
18 has raised over the last number of years, that is,
19 that Questar has maintained over the last several
20 rate proceedings in which I have been involved that
21 it had a major earnings attrition or revenue
22 attrition problem due to declining usage per
23 customer.

24 The adoption, the recent adoption of the
25 CET addresses that concern that the Company had

26

1 identified and mitigates arguments that a more
2 aggressive or further into the future test period is
3 necessary.

4 So with those comments I will conclude my
5 summary.

6 CHAIRMAN BOYER: Thank you, Mr. Higgins.

7 Let's move now to Dr. Zenger. Mr.

8 Ginsberg?

9 MR. GINSBERG: This is a corrected version
10 of the last one.

11 JONI S. ZENGER,

12

13 called as a witness, was examined

14 and testified as follows:

15

16 DIRECT EXAMINATION

17 BY MR. GINSBERG:

18 Q. Would you state your name for the record?

19 A. Joni S. Zenger.

20 Q. And you have prepared testimony in this
21 proceeding, have you not, that's been marked as
22 DPU Exhibit 1.0, which is your Direct Testimony with
23 one, two exhibits, 1.1 and 1.2; is that correct?

24 A. Yes.

25 Q. And you've also filed two forms of
26

1 Rebuttal Testimony, DPU Exhibit 1.OR and then 1.0R
2 Confidential which has one page, I think page 4?

3 A. Yes.

4 Q. Page 4, which has some confidential
5 information in it; is that correct?

6 A. Yes.

7 Q. And for the Commission's benefit, there
8 were some corrections that have been made to the
9 three exhibits, the three testimonies. And I
10 provided corrected versions to the court reporter and
11 they're available to the other parties, but they can
12 easily be gone through. And I have corrected
13 versions for the Commission if they would wish.

14 CHAIRMAN BOYER: I noticed myself, as I
15 reviewed again the pleadings this morning, that Dr.
16 Zenger's testimony was first filed, Rebuttal
17 Testimony was filed on the 5th and then again on the
18 6th. Was the 6th the corrected version or was that
19 the same?

20 MR. GINSBERG: Well, what occurred there,
21 the version that was filed on the 5th left off, in
22 the non-confidential version, the line numbers that
23 included the confidential information, and that was
24 pointed out to us by Mr. Ball. The one that was
25 filed on the 6th just added, on the non-confidential
26

1 version, the line numbers, the seven or eight lines
2 or so that contained confidential information. So
3 the line numbers would be the same whether it was the
4 confidential or non-confidential version.

5 CHAIRMAN BOYER: And did you say, Mr.
6 Ginsberg, that the revised versions had been
7 furnished to the parties here today?

8 MR. GINSBERG: Those were all sent out.
9 The versions that make some more typographic or
10 grammatical corrections, minor corrections, I have
11 available today, but she can go through them too.

12 CHAIRMAN BOYER: Thank you. You may
13 proceed.

14 Q. (BY MR. GINSBERG) Can you go ahead and
15 make your corrections on the three exhibits you
16 wanted to make?

17 A. Thank you.

18 On my Direct Testimony, page 14, line 298,
19 it says, "Energy Information Agency (EIE)," and that
20 should be Energy Information Administration.

21 On the very next page, page 15, line 304,
22 "Similar federal regulations for distribution lines
23 are also being considered by TAR." So the "by T-A-R
24 colon," would you please strike.

25 MR. BALL: Chairman, could Dr. Zenger
26

1 please repeat the reference to that amendment?

2 MS. ZENGER: That was on page 15, line
3 304.

4 MR. BALL: And what should it be changed
5 to, please?

6 MS. ZENGER: The sentence should end after
7 "are being considered," period.

8 MR. BALL: Thank you.

9 MS. ZENGER: The other two changes have to
10 do with the way our paralegal set up our pleading
11 system. So on the front cover of both the Direct
12 Testimony and the Rebuttal Testimony I've made
13 corrections to correct the spelling of Questar Gas,
14 the word "Increase" and the word "Distribution."
15 That's both on the Direct and the Rebuttal and I have
16 clean copies up front here.

17 Q. (BY MR. GINSBERG) With those corrections,
18 does that complete your corrections?

19 A. Yes.

20 Q. And your Direct and Rebuttal testimony, if
21 those questions were asked of you today, those would
22 be your answers?

23 A. Yes.

24 MR. GINSBERG: I would ask for admission
25 of those exhibits as marked.

26

1 CHAIRMAN BOYER: Commissioner Allen
2 pointed out another typo on online 38, but it's
3 immaterial.

4 Are there any objections to the admission
5 of Dr. Zenger's written testimony?

6 MS. BELL: No objection.

7 MR. DODGE: No objection.

8 COMMISSIONER BOYER: Very well. Then
9 DPU Exhibits 1.0, 1.0R and 1.0 Confidential are
10 admitted into evidence.

11 Do you have a brief summary, Dr. Zenger?

12 MS. ZENGER: Somewhat brief.

13 Good morning again to everyone.

14 This morning my testimony again presents
15 the Division's position regarding the appropriate
16 test period for this case and also discusses the
17 principles and criterion upon which that
18 recommendation is based.

19 While the Division does not object to the
20 test period being decided in conjunction with the
21 main case, we recognize the benefits to the auditors
22 and others to have an early determination to ensure
23 that everyone is working off the same period of time.

24 After conducting the analysis explained
25 below, the Division concluded that it does not object

26

1 to the use of the June 2009 test period recommended
2 by the Company subject to conditions explained below.

3 On the basis of the evidence in this
4 particular case, the Company's proposed test period
5 is the most defensible test period and best reflects
6 the conditions that the Company will encounter when
7 the rates will be in effect.

8 In making the Division's analysis I
9 applied the current version of Section 54-4-4(3) of
10 the Utah Code, under which statute it's impossible to
11 devise a test period that is free from some element
12 of prediction, either an historical test year with
13 known and measurable changes, or a future test year
14 or a combination of the two must be used.

15 Also, in selecting and supporting the
16 Division's recommended test period I reviewed the
17 Commission's 2004 Order on October 20, 2004. It was
18 in the PacifiCorp general rate case, Docket
19 04-035-42, which identified several factors which
20 need to be considered in selecting a test period.
21 Although an electric docket, I interpreted those test
22 year guidelines to apply to this gas docket as well.
23 I realize that Questar participated in the task
24 forces on forecasting, discovery and test period
25 issues. However, the Company was not a party to the

26

1 Stipulation filed with the Commission and accepted by
2 the Commission.

3 Questar is currently part of a
4 cost-increasing industry and the Company must invest
5 tremendous amounts of capital during the next several
6 years in order to replace feeder lines, to provide
7 upgrades to other capital projects, and as costs
8 associated with customer growth.

9 Although residential usage has decreased,
10 the Company plans to add a large industrial customer
11 during the test period. In my testimony I describe
12 the increase in construction material cost for
13 products such as iron and steel. The Company
14 estimates that it will spend \$45 million a year for
15 the next five years to replace feeder pipeline. Of
16 course, these numbers will be scrutinized by the
17 Division to ensure the accuracy of these costs and to
18 also ensure that they are completed on time as
19 planned.

20 It appears as though the Company's
21 forecasts have been reasonably accurate. Although we
22 have seen unanticipated changes to interest rates,
23 again, adjustments can be made to the final test year
24 if appropriate to reflect that change. Additionally,
25 economists tend to look at trends over a larger
26

1 period of time than just a few months. It is a
2 normal course of the business cycle to have peaks and
3 troughs that spread out over a larger period of time
4 rather than a few months.

5 Also, it's important to remember that
6 Division auditors and staff can appropriately adjust
7 the test period proposed by the Company. This could
8 include bringing the expense or rate base back to an
9 earlier time period or it could reduce an expense or
10 rate base due to lack of sufficient supporting
11 evidence.

12 With regard to points made by Mr. Higgins,
13 a test year closer in time to calendar year 2008 is
14 not necessarily more reasonable than the test period
15 selected by the Company and not objected to by the
16 Division. It's important to take into account the
17 conditions that will more closely reflect the
18 conditions that the utility will encounter during the
19 rate-effective period.

20 The Division finds that the Company's
21 proposed forecasted test period does not exceed the
22 20-month date limit, appears to be based on evidence,
23 and based on that evidence the test period best
24 reflects the conditions that the utility will
25 encounter during the rate-effective period.

26

1 For these reasons and as more fully
2 explained in my testimony, the Division does not
3 oppose the test period by the Company.

4 CHAIRMAN BOYER: Thank you, Dr. Zenger.

5 Let's hear now from the Committee's
6 representatives from the panel. Mr. Proctor?

7 MR. PROCTOR: Thank you, Mr. Chairman.
8 The Committee would first present Eric Orton.

9

10 ERIC ORTON,

11

12 called as a witness, was examined
13 and testified as follows:

14

15 DIRECT EXAMINATION

16 BY MR. PROCTOR:

17 Q. Mr. Orton, you've been sworn. Are you
18 employed by the Utah Committee of Consumer Services
19 as a utility analyst?

20 A. I am.

21 Q. And have you prepared testimony, Direct
22 Testimony in connection with the test period matter
23 before this Commission marked CCS-1DTY Orton?

24 A. That's right.

25 Q. And is the testimony that you have

26

1 previously filed the testimony that you would provide
2 today if asked?

3 A. That's true.

4 Q. Do you have any corrections or changes to
5 that testimony?

6 A. I don't.

7 MR. PROCTOR: The Committee would offer
8 into evidence the Direct Testimony of Eric Orton as
9 marked.

10 CHAIRMAN BOYER: Are there objections to
11 the admission of Mr. Orton's testimony?

12 MS. BELL: No objections.

13 CHAIRMAN BOYER: Okay. Then the Committee
14 Exhibit CCS-1DTY, together with exhibits or exhibit,
15 is admitted into evidence.

16 Thank you, Mr. Orton. Do you have a short
17 summary?

18 MR. ORTON: I do.

19 The test year position of the Committee in
20 this case is the same as it is in the Rocky Mountain
21 Power case, and that is, that we would ask the
22 Commission to simply outline the boundaries of our
23 playing field before we get too far in the game.

24 CHAIRMAN BOYER: That's a record. You get
25 the gold star.

26

1 THE WITNESS: Thank you.

2 MR. PROCTOR: The Committee would next
3 call Donna DeRonne.

4

5 DONNA DERONNE,
6 called as a witness, was examined
7 and testified as follows:

8

9 EXAMINATION

10 BY MR. PROCTOR:

11 Q. Ms. DeRonne, would you state your name and
12 by whom you're employed and the capacity in which
13 you're appearing today?

14 A. Yes. My name is Donna DeRonne and I'm
15 employed by the firm Larkin & Associates, PLLC.
16 We're a certified public accounting and regulatory
17 consulting firm in the State of Michigan. In this
18 case we've been retained by the Committee of Consumer
19 Services to review the rate case filing by Questar.

20 Q. On January 28th of this year, did you
21 prepare and file with the Commission Direct Testimony
22 marked CCS-2DTY DeRonne?

23 A. Yes, I did.

24 Q. And is that the testimony that you would
25 ask the Commission to enter into evidence in this

26

1 particular case?

2 A. Yes, it is.

3 Q. Do you have any corrections or changes
4 that you wish to make to that testimony?

5 A. No, I do not.

6 Q. The Committee would -- oh, and in addition
7 there's CCS Appendix 1 DeRonne, and is that attached
8 to your testimony?

9 A. Yes. And that consists of my
10 qualifications.

11 MR. PROCTOR: The Committee would offer
12 into evidence the Direct Testimony of Donna DeRonne
13 with the attached Appendix.

14 CHAIRMAN BOYER: Are there objections to
15 the admission of Ms. DeRonne's testimony.

16 Okay, it is admitted as marked. Thank
17 you.

18 MR. PROCTOR: I believe Ms. DeRonne does
19 have a brief summary.

20 MS. DERONNE: Very brief. Not quite as
21 brief as Mr. Orton, but brief. The main focus of my
22 testimony, first I indicate that the Committee does
23 not oppose the test year proposed by Questar in this
24 case as long as adjustments are made to that. And we
25 feel as though adjustments can be made to that to

26

1 make it reflective of the conditions in the
2 rate-effective period.

3 Additionally, one of the main drives of my
4 testimony is to stress how important it is that an
5 early determination on test year be made in this
6 case. I know one of the parties has recommended a
7 2008 calendar year. It's in important in both cases
8 before the Commission currently, but even more so I
9 believe in Questar because we don't have the same
10 level of information within the filing filed by
11 Questar. We don't have a mid year presented. Plus
12 Questar's filing is based largely on budget
13 information. So it's very important that we know as
14 soon as possible which budget period we need to focus
15 on in deriving the revenue requirement in this case.

16 Thank you.

17 CHAIRMAN BOYER: Thank you, Ms. DeRonne.

18 Let's go back through following Mr.
19 Monson's -- kind of a modification of Mr. Monson's
20 suggestion. Let's go back through the panelists and
21 see if they have responses to the summaries that were
22 given today and then we'll commence with
23 Cross-Examination, questions by the Commission and
24 Redirect, closing arguments and we'll all go home and
25 have a nice weekend, in that order. We'll go to

26

1 lunch in the interim. We'll all go to lunch if we
2 can finish by noon. That's a better idea yet.

3 Mr. Ball, have you anything further?

4 MR. BALL: I do, Chairman, but I confess
5 I'm a little taken by surprise with the rapidity with
6 which we've got here. Would it be possible for me to
7 go later in the sequence?

8 CHAIRMAN BOYER: Certainly.

9 MR. BALL: Thank you.

10 COMMISSIONER BOYER: Let's see, Mr.
11 Higgins, have you anything further?

12 MR. HIGGINS: I'm not going to help Mr.
13 Ball out very much because I don't have anything
14 further.

15 CHAIRMAN BOYER: Very well. Either Mr.
16 McKay or -- go ahead, Mr. McKay.

17 MR. MCKAY: Just two things. Number one,
18 Mr. Ball did make a comment of which he was referring
19 to that this Commission has never approved a
20 forecasted test period. I think it was probably
21 prior to the time Mr. Ball was living here in
22 America, but during the early '80s as well as the
23 late '70s, this Commission repeatedly approved
24 forecasted test periods when we filed general rate
25 cases, and in some of those instances in those years

26

1 we actually filed multiple rate cases in the same
2 year. So I would like to have that on the record.

3 Second, I do have a concern as it relates
4 to Mr. Higgins' characterization of what the CET can
5 do. And I will agree that he has observed that the
6 CET can take care of some differences. I cannot
7 agree with his observation that we, therefore, should
8 not worry about trying to put together a test period
9 that's reflective during these rate-effective
10 periods.

11 All we're choosing to do by that line of
12 thinking is to set the Company up to be making
13 entries into that CET balancing account which is not
14 our goal in trying to set a proper test period. Our
15 goal should be that we should get that as close to
16 having no entries into that because we put forth a
17 proper forecast and then actuals end up being what
18 we're able to forecast. We should make our best
19 effort on trying to do that recognizing that the
20 mechanism does help to alleviate concerns of whether
21 we forecasted too high or too low in the process.
22 Again, what we should try to do is be right down the
23 middle on that.

24 Thank you.

25 CHAIRMAN BOYER: Thank you, Mr. McKay.

26

1 Anything further, Mr. Curtis?

2 MR. CURTIS: Just maybe one quick brief
3 item. Mr. Ball talked about it, and perhaps I
4 misunderstood what he said, about what we call
5 allowance for funds used during construction, during
6 the construction period of an asset. And it is true
7 that part of the cost of constructing the asset
8 consists of the debt and sometimes equity funds used
9 during that period.

10 However, I just want to make it clear to
11 the Commission that that recording allowance for
12 funds used in construction stops when that plant is
13 placed into service and depreciation starts on that
14 plant as soon as it is placed into service regardless
15 of whether or not it has been considered in a general
16 rate case.

17 So, you know, the timing of plant coming
18 into service and the recording of depreciation is not
19 dependent on the specific rate case, it happens as
20 plant is placed into service.

21 CHAIRMAN BOYER: Thank you, Mr. Curtis.

22 MR. HIGGINS: Mr. Chairman? I was
23 wondering if you would allow me to respond briefly to
24 Mr. McKay's --

25 CHAIRMAN BOYER: Sure. Let's hear what
26

1 you have to say.

2 MR. HIGGINS: Simply that I -- of course,
3 I'm not recommending that the usage per customer, per
4 customer not be updated and not be as accurate as
5 possible, I'm simply recommending that it be done
6 using a calendar year 2008 projection. So I agree
7 with Mr. McKay that you do want to update the usage
8 per customer, but just have a difference of opinion
9 as to the best projected period to do that.

10 CHAIRMAN BOYER: Thank you, Mr. Higgins.
11 Dr. Zenger, have you anything further?

12 MS. ZENGER: No thank you.

13 CHAIRMAN BOYER: The Committee, Mr. Orton?

14 MR. PROCTOR: No, sir.

15 CHAIRMAN BOYER: Ms. DeRonne.

16 MS. DERONNE: No, sir.

17 CHAIRMAN BOYER: Mr. Ball, have you had a
18 chance to collect your thoughts?

19 MR. BALL: Thank you.

20 I want to respond, please, to something
21 that Dr. Zenger testified in her Direct Testimony
22 that I didn't have an opportunity to comment on
23 before. On lines 365 to 370 she wrote, "If a test
24 period that is not projected out to the full 20
25 months from the filing date used, I would expect to

26

1 see a rate case filed before the end of the current
2 year 2008, which may not be the best use of resources
3 both for the Company and for the regulators and the
4 intervenors. This is due to the fact that by the
5 time the rates went into effect for this rate case in
6 August 2008, the Company would need to immediately
7 file the next rate case in order for the conditions
8 of the utility to match the rate-effective period.

9 Residential ratepayers like me see no
10 benefit to our cash flow from paying more now in
11 order to ensure rates don't go up again for a bit
12 longer. I'm willing to pay reasonable rates, but no
13 more than I must because there are other things I
14 need and want to do with my money right now and in
15 the near term future. Given the uncertain prospect
16 of recession in Utah and the United States generally
17 at present, the best thing for the economy may be to
18 leave as much money as possible in ratepayers'
19 pockets.

20 President Bush and both chambers of
21 Congress seem to agree too, having agreed now to send
22 taxpayers rebates as a stimulus measure. In that
23 situation, why would the Commission want to tax us
24 more heavily by increasing rates more than is just
25 and reasonable?

26

1 Dr. Zenger's testimony also portrays what
2 I think is an unfortunate slant on the motivation of
3 the regulatory agencies. According to Legislative
4 Audit 2008-01, Figure 3.2, all the State's utility
5 regulator appropriations for fiscal year '08 total
6 \$8.2 million.

7 Based upon my experience in dealing with
8 legislative appropriations to those agencies and
9 calculating the per impact to be shared out amongst
10 the utilities, I estimate that the total cost to
11 ratepayers of this company, Questar, and the State
12 utility regulatory agency's expenditure on regulating
13 Questar Gas Company during the fiscal year '08, in
14 other words, July '07 through June '08, will be in
15 the region of \$10 million. The cost to ratepayers of
16 using the '08-'09 test period that Questar has asked
17 for is about \$27 million, as I indicated earlier,
18 more than using the '06-'07 historic period.

19 That nearly 3 to 1 ratio of revenue
20 requirement reduction to regulatory expense doesn't
21 represent the suboptimal use of resources, in my
22 book. It represents the Committee, Division,
23 Attorney General and Commission doing what they are
24 paid to do - to protect ratepayers.

25 I want to add that large industrial and
26

1 commercial energy users may find rate certainty
2 attractive for a number of reasons. One is the
3 ability to cost their long-term sales contracts with
4 greater confidence. But residential -- I'm going to
5 repeat myself if I'm not careful. No, I won't. Yes,
6 I am. I won't say any more. I've said it. Thank
7 you.

8 I have also a comment on something that
9 Mr. Curtis said earlier. I spoke in my summary about
10 the transfer of risk from stockholders to ratepayers
11 if the Commission selects the test period, any test
12 period, really, other than a pure historic one. And
13 I understand that as the law stands, in the wake of
14 2003 Senate Bill 61, that it has no option anymore to
15 use a purely historic test year as it did for a very
16 long time. And I thank Mr. McKay for correcting me
17 on things that happened before I entered this
18 universe. I wasn't trying to mislead anybody in what
19 I said before, I believed what I said to be true.

20 But Mr. Curtis referred to the
21 conservation enabling tariff. In my book, from the
22 perspective of ratepayers, Questar Corporation over
23 the past, I wouldn't like to hazard a guess how many
24 years, but certainly for the last decade or more, has
25 been pursuing a corporate strategy of shifting risk
26

1 from its stockholders to its ratepayers. It did
2 that, or it attempted to do that by creating Wexpro
3 and transferring the ownership of the gas wells. The
4 Supreme Court kind of put a kibosh on that, but
5 Wexpro still earns, still proudly claims that the
6 masthead of its --

7 MS. BELL: Excuse me, Roger, Mr. Ball, I
8 need to object here. I'm not sure what Wexpro and
9 all of these other allegations have to do with this
10 issue at this time.

11 MR. BALL: I'm talking about the transfer
12 of risk, Chairman.

13 CHAIRMAN BOYER: I think the objection is
14 well taken. Let's stick to the test year testimony.
15 Basically this is an opportunity for you to respond
16 to what has been said orally today, Mr. Ball.

17 MR. BALL: Well, I am. I'm responding to
18 Mr. Curtis's summary testimony a few minutes ago
19 regarding the CET.

20 CHAIRMAN BOYER: Yes. But there was no
21 mention of the masthead of the Wexpro website.

22 MR. BALL: Very well. Let me try and
23 confine, but continue along the main road, if I may.
24 With the creation of Questar Pipeline Company,
25 weather normalization, and various other things that

26

1 have been implemented over a period of time, and most
2 recently the conservation enabling tariff, have all
3 tended to shift risk away from Questar Gas Company
4 and away from Questar Corporation's stockholders and
5 put it on the shoulders of ratepayers.

6 So not only should the Commission bear
7 that in mind when it considers the issue of return on
8 equity in its decision and after its decision on the
9 test year selection, it should consider all of those
10 other elements too.

11 Thank you very much.

12 CHAIRMAN BOYER: Thank you, Mr. Ball.

13 And I guess out of fairness, do any of the
14 other panelists have anything further before we
15 commence with Cross-Examination?

16 Dr. Zenger?

17 MS. ZENGER: I was just going to respond
18 to Roger Ball's comments on my testimony. On page 19
19 where I discuss the fact that if we didn't use the
20 Company's projections, that we could expect that the
21 Company would be in for a rate case soon.

22 I have no certain knowledge of that, but I
23 do know that the conservation enabling tariff expires
24 on October 5th, 2009, and the way that that is set up
25 is that it needs to be continued through a rate case.

26

1 So there was that one example.

2 And then on page 17, a couple of pages
3 right before, another reason that I said that is if
4 you look at what the Company has planned and their
5 projects projected all the way through 2012, we're
6 looking at \$45 million a year. So that was in the
7 context of my testimony here.

8 CHAIRMAN BOYER: Thank you, Dr. Zenger.

9 Let's begin with Cross-Examination, and I
10 think we'll start with the Company since it's their
11 application, and then we'll move to Mr. Proctor and
12 Mr. Ginsberg who got sort of short-shrift yesterday
13 and work around, and then we'll have questions by the
14 Commission and an opportunity for Redirect. Does
15 that sound satisfactory and fair to the parties?

16 MR. GINSBERG: Did you want to do like
17 yesterday where the Company would do all their
18 witnesses and --

19 CHAIRMAN BOYER: Yes, that will be my
20 suggestion. We will take a short recess at about
21 10:30 to give our reporter a break. Thank you.

22 Ms. Bell or Mr. Monson?

23 MS. BELL: Mr. McKay is available for
24 Cross. Are you asking us to cross or are our
25 witnesses available to cross?

26

1 CHAIRMAN BOYER: This is your opportunity
2 to cross-examine. It's Friday.

3 MR. MCKAY: Don't cross-examine me.

4 MS. BELL: Oh, all right.

5 COMMISSIONER BOYER: If you have
6 cross-examination of the other panelists, that would
7 be nice.

8 MS. BELL: I wasn't certain in what order
9 we were taking them. I do have a few of questions
10 for Mr. Higgins.

11

12 KEVIN C. HIGGINS,
13 called as a witness, was examined
14 and testified as follows:

15

16 CROSS-EXAMINATION

17 BY MS. BELL:

18 Q. Mr. Higgins, just so I can be clear, you
19 are recommending a fully forecast test year; is that
20 correct?

21 A. Yes, Ms. Bell.

22 Q. And that fully forecast test period is for
23 calendar year 2008?

24 A. Yes.

25 Q. And the basis of your recommendation, if I

26

1 understand it, is because that test period is closer
2 in time than the Company's proposed test period; is
3 that correct?

4 A. I believe that that is a reason for
5 preferring calendar year 2008 rather than the
6 Company's proposed test period.

7 Q. Do you have any evidence to support that
8 projections that are closer in time are perhaps more
9 accurate?

10 A. All that is based on my general experience
11 as an economist over the last 25 years.

12 Q. Have you offered any evidence in this
13 record to support that projections would be more
14 accurate?

15 A. I did not cite any examples in this case.

16 Q. Do you have any evidence in this record to
17 support that the Company's projections that go out a
18 little bit further are not accurate?

19 A. I have not challenged the Company's
20 projections.

21 Q. And just a few questions for clarification
22 on the conservation enabling tariff. I believe you
23 stated in your summary that the CET compensates the
24 Company for reductions in usage per customer; is that
25 correct?

26

1 A. Yes.

2 Q. And are you aware that there are limits to
3 the accruals the Company can make in a conservation
4 enabling tariff balance?

5 A. Yes.

6 Q. Do you agree that as long as there are
7 limits to the accruals it is important to have
8 periodic rate cases that will establish the CET
9 allowed amounts?

10 A. I agree that it is important to establish
11 an accurate baseline for the CET.

12 MS. BELL: I think that's all I have at
13 this time.

14 CHAIRMAN BOYER: Mr. Monson?

15 MR. MONSON: I have a few questions for
16 Ms. DeRonne.

17 CHAIRMAN BOYER: Proceed.

18

19 DONNA DERONNE,

20 called as a witness, was examined

21 and testified as follows:

22

23 CROSS-EXAMINATION

24 BY MR. MONSON:

25 Q. In looking at your attachment to your
26

1 testimony, it appears you've done work in many
2 states; is that correct?

3 A. Yes, it is.

4 Q. I didn't count them, but I don't know if
5 you know offhand how many?

6 A. I think I've testified in about nine
7 states, but I've worked in quite a few others where I
8 didn't submit testimony.

9 Q. In your experience, do other states use
10 future test periods?

11 A. Many do. Some use historic, but many also
12 use future.

13 Q. In those states that use future test
14 periods, do they use projected rate base as well as
15 projected revenues and expenses?

16 A. Yes. You'll want to make sure that all
17 the components of the revenue requirement calculation
18 are synchronized. So you will use projected plan
19 additions and those projections will be reviewed and
20 oftentimes challenged by the parties in a rate case.

21 Q. Given your review in this case, would a
22 historic test year be representative of the
23 rate-effective period for Questar Gas?

24 A. I didn't conduct a complete analysis to
25 see if it could be made to be so with appropriate
26

1 adjustments. I do know, though, the Company does
2 have a lot of investment for the feeder line
3 replacement project. So if an analysis were done to
4 determine if a historic period could be made
5 reflective for this particular company, one would
6 have to consider the impact of, in my opinion, that
7 pipeline feeder replacement program.

8 MR. MONSON: That's all my questions for
9 Ms. DeRonne.

10 I have a couple of questions for Mr. Ball.

11 CHAIRMAN BOYER: Very well.

12 MR. MONSON: My client doesn't want me to
13 ask them so I'll try to keep it very brief at the
14 risk of getting fired.

15

16 ROGER J. BALL,

17

18 called as a witness, was examined

19 and testified as follows:

20

21 CROSS-EXAMINATION

22 BY MR. MONSON:

23 Q. Mr. Ball, you're not an attorney; is that
24 right?

25 A. I didn't hear a question mark there.

26

1 Q. Are you an attorney?

2 A. No, sir.

3 Q. You were an intervenor in Docket
4 05-057-T01, which was the CET docket, if I remember
5 the number correctly; is that right?

6 A. Yes.

7 Q. And in that docket you made some filings;
8 is that right?

9 A. Yes.

10 Q. And in one of the filings you noted that
11 you weren't an attorney and, therefore, weren't
12 intending to offer legal opinions on interpretations
13 of the law; is that right?

14 A. Yes.

15 Q. And would that still be your position?

16 A. Yes.

17 Q. And in that docket, as I recall, in some
18 of your filings you recommended that the Company,
19 Questar Gas, be required to file a general rate case?

20 A. Yes.

21 Q. And are you aware that the Commission in
22 its concluding order in that docket ordered the
23 Company to file a general rate case?

24 A. I'm really not sure about that, no.

25 MR. MONSON: Okay. That's all.

26

1 MR. BALL: Can I just --

2 CHAIRMAN BOYER: You'll have an
3 opportunity --

4 MR. BALL: Well, in the interests of what
5 did you swear me to in the oath, the whole truth?

6 CHAIRMAN BOYER: Nothing but the truth.

7 MR. BALL: Just a little bit more of the
8 whole truth in direct response to those questions. I
9 guess what I would like to say on the attorney thing
10 and the interpretation of law thing, I was, however,
11 born in a country and raised in an academic tradition
12 based on the use of the English language. And so my
13 arguments about what the law says are based upon the
14 plain language of the law and the straightforward
15 interpretation of it.

16 With regard to asking for a rate case,
17 yes, I did. I kind of lost interest in the CET
18 thing. And it's simple, I just don't have the time
19 and resources that those of you who are paid to do
20 these things have at my disposal, and the net result
21 is I must choose carefully what I choose to get
22 involved in and what I don't. And so I chose not to
23 continue there, but I am interested in this case
24 which is, again, why I filed to intervene.

25 Thank you , Chairman.

26

1 CHAIRMAN BOYER: Thank you, Mr. Ball.

2 One follow-up question, Mr. Monson?

3 MR. MONSON: In all honesty it's not a
4 follow-up, I forgot it. Is that all right?

5 CHAIRMAN BOYER: Ask away.

6 Q. (BY MR. MONSON) Mr. Ball, in your
7 Rebuttal Testimony that you filed in this docket,
8 could you refer to lines 187 and 188, please?

9 A. Did you say 187 to 188?

10 Q. Yes.

11 A. Are you going to ask me about the 13th of
12 August?

13 Q. No.

14 A. Okay. That should be the 15th as I now
15 notice, Chairman. Okay, go ahead.

16 Q. Is it your testimony that a test year
17 ending 30 June 2009 may be good in that it more
18 closely matches a rate-effective period the 15th of
19 August, 2008?

20 A. No.

21 MR. MONSON: Okay. Thank you.

22 CHAIRMAN BOYER: Thank you, Mr. Monson.

23 Mr. Proctor?

24 MR. PROCTOR: I have no questions.

25 CHAIRMAN BOYER: Mr. Ginsberg.

26

1 MR. GINSBERG: I do have some.

2 CHAIRMAN BOYER: You couldn't resist,
3 could you? This is your opportunity to ask questions
4 of the other panelists.

5 MR. GINSBERG: Thank you.

6 Why don't I start with I guess either Mr.
7 Curtis or Mr. McKay can answer.

8

9 DAVID M. CURTIS,

10

11 called as a witness, was examined

12 and testified as follows:

13

14 CROSS-EXAMINATION

15 BY MR. GINSBERG:

16 Q. Can you describe the process the Company
17 will have to go through to --

18 COMMISSIONER BOYER: Mr. Ginsberg, will
19 you turn on your mic, please? Thank you.

20 Q. (BY MR. GINSBERG) Can you describe the
21 process that the Company will go through to create
22 the 2008 test year if that's what's required?

23 A. Yes. If we were required to use a 2008
24 test year, which we understand is a possible test
25 year in this case, what I would -- the most important

26

1 thing, as several other witnesses have mentioned, is
2 to coordinate and synchronize all components of that
3 rate case of that test year together. We believe
4 perhaps a 2008 calendar test year with end of
5 period -- so what, a December 31 rate base usage per
6 customer, et cetera -- all of those components might
7 be an appropriate way to measure the costs that the
8 Company will incur during the rate-effective period
9 and the conditions that the Company will incur during
10 the rate-effective period if that were required.

11 Q. So you would not file that as an average
12 test year, you would file it as an end of period test
13 year?

14 A. My preference would be an end of period
15 test year.

16 Q. How long will it take you to prepare that?

17 A. I think much of that work has perhaps
18 already been done. It would take some work to
19 coordinate it and make sure it's all together. I
20 would think a few weeks might be necessary to do
21 that, but probably not beyond that.

22 Q. Do you have Ms. Zenger's testimony in
23 front of you, her Direct?

24 A. Yes, I do.

25 Q. I wanted to use this as a reference page
26

1 if we could. It's on page 16.

2 A. Sixteen, okay.

3 Q. Are you there?

4 A. Yes.

5 Q. It sounded like from everything that has
6 been presented that what's driving this rate case
7 are, at least a large portion of them, are the feeder
8 line replacements; is that correct?

9 A. That's a significant element of it, yes.

10 Q. At least in 2008, can you -- the feeder
11 line projects are 11, 5 and 4; is that correct?

12 A. Yes. Essentially that's -- I think that
13 is almost one continuous line. It's broken up for
14 our purposes, but it runs from 33rd South from 27th
15 East where it ties into our feeder line 4 coming out
16 of Little Mountain and it runs the full width of the
17 valley on 33rd and then transitioning over to 35th
18 South all the way out to the Oquirrh Mountains.

19 Q. Do you have a scheduled completion date on
20 these projects?

21 A. Yes. I don't believe I have that with me.
22 Most of this work will be done and completed by
23 December of 2008. And as I mentioned before, much of
24 this -- as this will be placed into service not on a
25 full project basis, but as the segments are completed

26

1 it will be placed into service and used.

2 Q. If we look at the next page at the top, it
3 shows 2009, and one of that is finishing 11, which I
4 guess is one of the 2008 projects?

5 A. Right. That's the remainder of what we --
6 we don't believe we will complete all the way west on
7 this project in 2008, but the \$45 million essentially
8 relates to what segment we believe we will finish in
9 2008 and then the remainder will finish in 2009.

10 Q. Would the 11 project be finished before
11 the June 30th test year ends?

12 A. I believe so. That's subject to check,
13 but I will have to look at that. I don't have that
14 in mind.

15 Q. What about the other pipeline project?

16 A. The other pipeline project, no, that would
17 probably not be placed in service inside the June
18 30th, that will take, I think, until to the
19 remainder, probably November.

20 Q. So it wouldn't go into rate base anyway in
21 your test year?

22 A. No. There would be a portion of the 45
23 that we have assumed that would be completed. Using
24 our average rate base for the 12 months ended June
25 '09, there's a portion of it in there that's kind of

26

1 weighted in there using the average basis, but most
2 of this will be later.

3 Q. You didn't file a mid period in this case;
4 is that right?

5 A. No, we didn't. Our understanding was we
6 were not required to file that specifically. Really,
7 the only numbers we have presented in really a full
8 form are the test period that we have presented.

9 Q. The CET usage per customer, if you filed a
10 2008 test year, do you have forecasts of the level of
11 usage per customer for that year?

12 A. It may take me a minute to find that, but
13 we do have that in my testimony.

14 Q. What I'm trying to do is get you to
15 determine what the difference would be between using
16 a 2008 or 2009 customer usage level.

17 A. Okay. Let me give you that number if I
18 have it. If you'll turn to my Direct Testimony, this
19 is Exhibit 5.22, page 5 of 6. Okay. What that
20 shows, if you look down there, and this is a very
21 busy page here, it's essentially a regression
22 analysis, but we showed what we used. But if you
23 look down there opposite 2008 December, down at the
24 bottom part of the table, our forecast of usage for
25 US General Service 1, usage per customer is 105.13, I

26

1 believe is the number you're looking for. And then
2 if you go down to a June number, June '09, it's
3 103.67. This is a trailing 12-month forecast of
4 usage per customer.

5 Q. Is that a material difference?

6 A. Yes. I didn't calculate the percentage
7 change there, but you've got it looks like a little
8 over 1.5 decatherms per customer. So you're going to
9 be probably, on a 100 basis, that's probably about
10 1.5 percent just eyeballing the number.

11 MR. GINSBERG: Thank you. I think that's
12 all the questions I have for the Company. I don't
13 know if you wanted to break at 10:30, like you said.

14 CHAIRMAN BOYER: Do you have questions of
15 others.

16 MR. GINSBERG: I do have some.

17 CHAIRMAN BOYER: Okay. Let's take a
18 10-minute recess and recommence with Mr. Ginsberg.

19 (Recess taken.)

20 CHAIRMAN BOYER: Let's go back on the
21 record. Mr. Ginsberg, you may continue with your
22 Cross-Examination.

23 MR. GINSBERG: The only other questions I
24 have are a few for Mr. Higgins.

25 KEVIN C. HIGGINS,

26

1

2

called as a witness, was examined

3

and testified as follows:

4

5

CROSS-EXAMINATION

6

BY MR. GINSBERG:

7

Q. Mr. Higgins, in your testimony that you

8

gave both today and yesterday, they were very similar

9

in supporting the use of a forecasted test year; is

10

that correct?

11

A. Yes.

12

Q. And can you give the reasons why you think

13

supporting a forecasted test year is preferable to

14

using a historical test year with known and

15

measurable changes?

16

A. I believe that one advantage of a fully

17

forecasted test period within the structure of the

18

Utah statute is that you are not put in the position

19

of making selective adjustments to known and

20

measurable changes as you would otherwise be required

21

to do if you used an historical test period per the

22

statute. So I do believe there's an advantage in

23

using a test period in which the four corners of the

24

period, if you will, are intended to be fully

25

representative of the expenses and revenues of the

26

1 period rather than being in a situation in which you
2 were working with a time period that is importing
3 selected adjustments from outside the period. I
4 believe the latter is more -- is less preferable than
5 having everything within the same period.

6 Q. Thank you.

7 And you would agree that either the 2008
8 that you're suggesting take place or going out an
9 additional six months to June 2009 would both
10 accomplish that purpose?

11 A. Yes, they would both be consistent in that
12 regard.

13 Q. And it struck me from your testimony both
14 today and yesterday that the main driving factor that
15 you looked at in deciding not to work off of the
16 Company's proposed test year for the purpose of this
17 rate case in making adjustments was the lack of
18 experience that the Commission has had in using
19 forecasted test years, the use of the new statute; is
20 that fair?

21 A. That's a contributing factor. I don't
22 know that it's the main driving factor, Mr. Ginsberg.
23 I believe that we can have greater confidence in the
24 forecast that is nearer in time. I believe that it
25 is -- that also takes into account, my recommendation

26

1 takes into account a number of the reservations that
2 this Commission has expressed with respect to using a
3 future test period. I believe that what I'm
4 recommending speaks to the concerns they've raised
5 and balances those concerns with the issues raised by
6 the Company.

7 Q. Would you agree that either test year in
8 the full case, that the parties would have equal
9 capability of making adjustments that they thought
10 were needed off of that? The difference between the
11 two would be that events that would occur in the
12 January to June period would be excluded from your
13 test year?

14 A. Events in the January through June 2009
15 period would be excluded, yes.

16 Q. But other than that, you would be free to
17 make adjustments off of either test year?

18 A. Yes.

19 Q. Did you attempt to determine what would be
20 left out in the January through June period?

21 A. No, I did not attempt to determine that.
22 And my general understanding is that much of the
23 feeder line expense, feeder line cost that the
24 Company is expected to incur would, in fact, occur
25 within the calendar year 2008 period. So it seems to

26

1 me that most of those costs would be captured within
2 the calendar year that I'm recommending.

3 Q. Did you hear the testimony of Mr. Curtis
4 that they would file it as an end of year per test
5 year?

6 A. I did.

7 Q. Would it be fair, then, that at least for
8 purposes of calculating an end of year '08 test year
9 would be similar to an average '09 test year?

10 A. Yes. And also I want to be clear that I'm
11 not recommending an end of year 2008 test period.
12 But to your point, if most of the costs that are
13 incurred -- or most of the capital expense that's --
14 capital expenditures that are incurred by the Company
15 occur in calendar year 2008, then using an end of
16 period 2008 would probably produce a similar result
17 as an average test period ending June '09.

18 MR. GINSBERG: Thank you.

19 That's all I have.

20 CHAIRMAN BOYER: Thank you, Mr. Ginsberg.

21 Mr. Dodge?

22 MR. DODGE: Thank you, Mr. Chairman. I
23 have a few questions for Mr. McKay.

24

25 BARRIE L. MCKAY,

26

1

2

called as a witness, was examined

3

and testified as follows:

4

5

CROSS-EXAMINATION

6

BY MR. DODGE:

7

Q. Mr. McKay, when was your last litigated,

8

fully litigated rate case?

9

A. I assume you're talking general rate case?

10

Q. General rate case.

11

A. We filed that on May 3rd of 2002 and the

12

Commission issued their Order on December 30th of

13

that year.

14

Q. And what test period was used in that

15

case?

16

A. I think what was agreed upon by the

17

parties, and if my memory is serving me correctly,

18

was only three issues that went before the Commission

19

that were litigated in the manner we're going through

20

here, and the other issues were settled with I think

21

two different settlements as it related to revenue

22

requirement. And from the Company's perspective, it

23

essentially was a year-end test period with

24

adjustments made up through November of that year.

25

Q. From the Company's perspective?

26

1 A. Well, I mean, those were the numbers we
2 used. So I can't speak to what others might be
3 characterizing it. But we used usage per customer
4 through November of 2002 as well as the customer
5 numbers through that period and the associated costs
6 with them.

7 Q. And so that was an historical test year or
8 mixed test year with some historical and some
9 projected, in your view; is that correct?

10 A. That would probably be fair, considering
11 the point in time from when we filed the case until
12 the point in time here.

13 Q. And you were here yesterday when I walked
14 through the six potential test periods in the Rocky
15 Mountain Power case?

16 A. Yes, I was here. I might not have focused
17 on the six you were talking about so if you want to
18 refresh my mind on those, you might have to.

19 Q. I walked through the first one being that
20 was used historically in this jurisdiction, at least
21 after the late 1970s, and that is, a historical
22 period with no out-of-period adjustments, was the
23 first one. The second one was the same historical
24 period with adjustments that are known and measurable
25 and close in time, and the third one was a mixed test
26

1 period.

2 And you're saying that in your view, in
3 the Company's view, it was closer to that third or
4 mixed period in the settlement of that part of the
5 last rate case?

6 A. I think you could describe it that way,
7 yes.

8 Q. And the last fully litigated test period
9 ruling by this Commission for Questar resulted in
10 what test rate being adopted?

11 A. I think that was in 1995, and the
12 Commission gave an Order in that instance and that
13 was an historical.

14 Q. Without any out-of-period adjustments,
15 correct?

16 A. Subject to check. I cannot remember
17 exactly what was agreed upon by the parties because,
18 again, I think there was agreement reached by parties
19 in that case. But essentially we were given an
20 historical framework in which we were supposed to
21 work.

22 Q. Is it fair to say that basically for two
23 decades this Commission relied upon and your rates
24 were based upon primarily the historical test period?

25 A. Well, I can't agree with that if you're
26

1 going to include the 2002 test period in that other
2 rate case.

3 Q. At least in the Company's view it was
4 somewhat mixed?

5 A. Oh, absolutely. But prior to 2002, and
6 essentially from the mid '80s, I think you were
7 wanting to say the late '70s, but I think I'll agree
8 from the mid '80s.

9 Q. When was the last case in which the
10 Commission used a projected test period?

11 A. I was thinking you were going to ask that
12 and so I looked at my rate case summary and I failed
13 to bring sheet 2. But if you would like me to look
14 that up, we actually have every rate case going back
15 through the '70s and '60s and can give that to you.

16 Q. In the last case, and I recognize you
17 weren't with the Company, but in the last case where
18 they used a projected test period, how many months
19 did the test period get projected from the day prior?

20 A. I agree I was not with the Company. I
21 will understand, observe that I think the statute at
22 that time indicated that a 12-month forecast was
23 possible. And I would, subject to check, assume that
24 a 12-month forecast was used.

25 Q. So in any event, even in a time more than
26

1 two decades ago when the Commission used a projected
2 test period, by State law those were not permitted to
3 go more than 12 months, correct?

4 A. I think that's what the statute was at
5 that time.

6 Q. Do you think that maybe there was a policy
7 judgment in there that there were some concerns
8 projecting beyond the 12-month period that caused the
9 legislature to set that as the limit?

10 A. Do you want me to opine on what the
11 legislature was thinking back then?

12 Q. I'm asking you whether you will accept
13 that that might be reflective of somebody's policy
14 judgment that more than 12 months? I was hoping they
15 were not comfortable allowing other --

16 A. I don't think I can agree with that given
17 the association that I had with the development of
18 where the current statute is at. I mean, I can't. I
19 don't know exactly why. I think the path they've
20 chosen now with what we have with the current statute
21 is a better indication of how we ought to be going
22 about setting a test period.

23 Q. And in your view, the statute now means it
24 has to be a 20-month projected, doesn't it?

25 A. What has to be?
26

1 Q. That the Commission virtually has to use a
2 20-month projection for the test period, or near 20
3 month?

4 A. No, I don't think that's my view. My view
5 is this, that we have a test period out there that
6 will probably end, if we're identifying it as a
7 12-month period, in 20 months. I think that our goal
8 is to try to figure out during that period of that
9 what, the 8th month through the 20th month, okay,
10 that 12-month period, we need to try to identify a
11 test period that best reflects that.

12 I absolutely feel that historical data,
13 given certain conditions, or a historical test period
14 may be the very best test period to choose with
15 certain conditions into the future. And we would
16 review that and look at that every time we put
17 together a case and not making any assumption that
18 that would always be the case. But just like that,
19 we would also think that we should identify to see if
20 costs are increasing, costs are decreasing, and try
21 to make it reflective of that period.

22 Q. So what you're saying is if costs are
23 decreasing you would want to use an historical test
24 year?

25 A. Absolutely not.

26

1 Q. Then you are just using a projected test
2 period?

3 A. Absolutely not.

4 Q. Well, what set of conditions would cause
5 you to not --

6 A. Thank you for asking.

7 Q. -- use a 20-month projected test period?

8 A. If we have -- and this is very possible.
9 I can point to areas I think in the United States
10 that have this type of circumstances, but you do not
11 have a lot of growth in your customers, okay? That
12 happens. If you want to think of different areas in
13 the United States, that can occur.

14 Now, couch that with the idea that there's
15 not a lot of inflation. You can't necessarily say
16 that that's what the circumstance is now, but in our
17 history, if we look back, there certainly has been
18 instances where that's the case. If you have
19 contributions in aid of construction, you have
20 certain things that allow rate base to continue to
21 grow or change or give you the indication that it
22 would be relatively flat as you go into the future,
23 then why go through the exercise of going through the
24 best estimate when you think things are going to be
25 pretty much the same today as well into the future,
26

1 would you want to go through that? No. You would
2 pick an historical test period. You would anoint it
3 with its degree of certainty and having it in black
4 and white print and saying, "Let's work from that."

5 But when things change and you have
6 conditions that indicate that they're going
7 significantly up or significantly down, then we
8 should go about trying to set something that's best
9 reflective given our best forecasts or projections,
10 and I think that's how we ought to go about doing it.

11 Q. Well, first of all let's start with
12 implicit in your assumption there is, when everything
13 is flat we would use an historical, is that there are
14 some downsides to trying to project the future. Will
15 you at least accept that?

16 A. Downsize?

17 Q. That there are risks in trying to project
18 the future?

19 A. Well, I would use the term that there's a
20 possibility of us not being correct as we project the
21 future. I think that's what you're trying to get at.

22 Q. Otherwise, why wouldn't you always use the
23 projected test year if you're absolutely confident in
24 your projections?

25 A. Well, all I'm trying -- when I'm using an
26

1 historical test period, I'm just saying I think this
2 is the best forecast for the future. And all I'm
3 going to forecast when I put together a test period,
4 the question is, is the historic instances here, is
5 that the very best forecast for this rate-effective
6 period? If the answer is yes, I'll use it.

7 Q. And the only conceivable circumstance
8 you've come up is when there's no inflation, no
9 change in customer growth, no change in expected
10 costs or revenues?

11 A. I think those are some good
12 characteristics that would go into the determination.
13 But our purpose, our goal, all of our parties'
14 purpose is to try to come up with what's going to
15 happen when the rates are in effect.

16 Q. I know what your goal is. And my question
17 is, that's the only condition you can conceive of
18 where an historical test period would be appropriate,
19 why would you be filing a rate case if nothing is
20 changing?

21 A. Good question. And I think here's why.
22 If during that historical test period I did not earn
23 my allowed return, okay, it's probably because I
24 didn't have enough revenues. I, therefore, would
25 approach this Commission and say, "Hey, here's the

26

1 historical test period, here's where I think my
2 expenses are, and look, what's out of balance is I
3 don't have the need of revenue requirement and so I
4 need a rate increase."

5 Q. If you say so.

6 A. Well, you're asking me to create a
7 situation where I think it will take place.

8 Q. Well, that's very creative.

9 A. Thank you.

10 Q. We'll see whatever comes about.

11 Mr. McKay, you used a concept that I had
12 never heard argued before, that in your view the test
13 period should have an equal chance of being up or
14 down, higher or lower than projections. Is that
15 fairly accurate?

16 A. I think that's what I was trying to
17 portray.

18 Q. Implicit in that view, then, is that
19 customers and the Company have an equal risk if the
20 costs are either higher or lower than projected and
21 an equal opportunity to control it and to seek
22 remedies if the risks go against them; is that not
23 true?

24 A. I was with you on having an equal
25 opportunity of having things go one way. And you're

26

1 wanting to also link onto that an equal opportunity
2 to control it. And I don't know if customers can
3 control the costs that are associated here in this
4 room that go into doing that. So I don't know if I
5 would go that far.

6 Q. That is my point. Customers don't have
7 control. You're not suggesting --

8 A. They do have control of the bill.

9 Q. You're not suggesting that the customer's
10 risk is symmetrical with the Company's risk of over
11 or undercollection vis-a-vis the projected values,
12 are you?

13 A. I'm trying to grasp your question. Repeat
14 that question.

15 Q. Well, let me walk through it.

16 A. Okay.

17 Q. How quickly do you get information about
18 the Company's revenues on a monthly basis and its
19 costs?

20 A. Well, we have the opportunity to have
21 monthly reports so it would be monthly.

22 Q. Monthly. How often do I get to see what
23 your revenues and expenses are?

24 A. I haven't stopped anybody, I guess, from
25 obtaining the public information that we provide, but

26

1 I don't think you choose to do it very often.

2 Q. Let me stop you there. Are you saying
3 that the monthly reports you receive are public?

4 A. Well, I guess I would look to my counsel
5 here, but I do provide monthly information to both
6 the Division, who is tasked with doing this and the
7 Committee who is tasked with reviewing this, and I
8 don't think we provide those, and I'm going to term
9 them in a grayback and confidential. And, therefore,
10 I would think that if someone wanted to come and look
11 at that it would be public information.

12 Q. So you're saying that the Division and the
13 Committee gets all the same information you have
14 access to monthly?

15 A. Well, they get the reports that they have
16 asked me to file related to my revenues.

17 Q. That's a very different question, isn't
18 it? How long have you filed a full Results of
19 Operation?

20 A. We file it twice a year.

21 Q. And that's the first time that the
22 regulators get to see the full Results of Operation
23 for the Company, correct, six months after? Well, a
24 six-month period, plus what does it take you, two to
25 three months to prepare it? So the first time we're

26

1 going to see a full Results of Operation that would
2 give us a good indication of how your income and
3 expenses are compared to your projections will be at
4 least nine months, eight or nine months after this
5 time that they begin to be incurred, correct?

6 A. No. We would file, for example, in the
7 year-end, because it's about three months, three or
8 four months that you would know. So you said seven
9 or eight so --

10 Q. After the end of the period, I said from
11 the beginning period. You know basically what your
12 revenues and expenses are from day one and you
13 control them within the limits of your ability to
14 control them. Ratepayers don't have access to either
15 of those, do they?

16 A. I think what you're doing is you're making
17 an assumption that I do this Results of Operation
18 report on a monthly basis and know exactly where I'm
19 earning on a regulatory result, and we don't. We do
20 it twice a year just like we're required. And I find
21 out where I'm at -- in fact, I don't know where that
22 Results of Operation is for '07 yet because we have
23 not completed it yet.

24 Q. So it's your view, then, the ratepayers
25 have the exact same access to information you do,

26

1 they have the exact same risk of under or
2 overcollection that you do?

3 A. Well, I think here you're trying to link
4 the ratepayers to the financial -- or the revenues
5 and expenses that are being incurred by our
6 distribution company. What the customer receives is
7 the signal, and they receive it monthly, of what
8 their costs are. And we're trying to help them
9 reduce those costs.

10 Q. That's a whole different subject, Mr.
11 McKay. If you want to talk about that, go ahead, but
12 I'm not even asking that.

13 A. Well, I guess you're interested, and I'm
14 observing what I think is what the customer receives
15 as an indication for what the costs are.

16 Q. But the customer has no control over what
17 you charge them. Sure, they can choose to freeze or
18 to quit production to reduce their bill, they can't
19 go to you and change your cost structure down so that
20 they save money, can they?

21 A. I think they can participate in these
22 hearings, if that's what you're asking.

23 Q. Well, you're resisting. Let me ask you if
24 you agree with what the Commission said is their
25 concerns about projecting into the future: "Possible
26

1 bias and lack of complete information about
2 offsetting adjustments." Do you agree that's a
3 concern for regulators, or should be?

4 A. I think that we always, as we put forward
5 our best efforts, there's going to be bias one way or
6 the other. And so absolutely, I would agree that we
7 need to be cognizant and aware of that as we go about
8 doing the best work we can.

9 Q. They also note --

10 MS. BELL: Mr. Dodge, could you clarify
11 for us where the Commission said this?

12 MR. DODGE: Well, I can hand it out if you
13 want it. It's from the 2004 Order in the PacifiCorp
14 rate case that we talked about yesterday. Would you
15 like a copy?

16 MS. BELL: I guess I would object except
17 that I'm not sure if Mr. McKay has read that order or
18 is aware of it.

19 MR. DODGE: He was here yesterday.

20 Q. (BY MR. DODGE) Have you heard of that
21 order or read it?

22 A. I have heard of it, I have not read it.

23 Q. Well, then, I don't have to reference
24 that. Let me ask you this: Do you agree that the
25 Company's unequalled access to financial and
26

1 accounting information is a concern with projecting
2 results into the future?

3 A. I think it could be if we don't take the
4 necessary effort to provide the data that is needed
5 to make a determination. And I think that the task
6 force that I did participate in and our company did
7 coming out of this case worked directly to try to
8 help resolve that concern. Never before have we
9 filed a case and on the day that we filed a case
10 provided numerous set of Data Requests that spoke
11 directly to that issue of what the parties here all
12 had the opportunity to say, here is the type of data
13 that we would like to see and look at as we go about
14 determining what best reflects the rate-effective
15 period.

16 DAVID M. CURTIS,

17
18 called as a witness, was examined
19 and testified as follows:

20
21 CROSS-EXAMINATION

22 BY MR. DODGE:

23 Q. Mr. Curtis, I have a question for you.
24 You were asked how long it would take to prepare a
25 full Results of Operation for calendar year 2008?
26

1 A. Correct.

2 Q. Are you aware that you've been asked in a
3 Data Request to do exactly that?

4 A. Yes, I believe I saw that.

5 MR. DODGE: Thank you. I have no further
6 questions.

7 CHAIRMAN BOYER: Thank you, Mr. Dodge.

8 Mr. Evans, do you have any questions?

9 MR. EVANS: Thank you, Mr. Chairman. I do
10 have just a couple, but I'm not sure I'm allowed to
11 ask them.

12 COMMISSIONER BOYER: Well, since you're
13 teeing that up, we're going to -- there's been a
14 request for clarification of the scheduling order
15 language. And the purpose of that language was to
16 prevent what I call litigation by ambush, that is,
17 non-lawyer parties intervening, not presenting any
18 testimony and then presenting new testimony for you
19 guys for cross-examination. And so by way of
20 clarification from the Bench, we're going to retract
21 that language and you are permitted to cross-examine.

22 MR. PROCTOR: Well, excuse me, Mr.
23 Chairman. May I address that?

24 COMMISSIONER BOYER: You may.

25 MR. PROCTOR: I certainly would agree with
26

1 the order, provided, of course, that there's an
2 initial introduction as to what exactly the position
3 of Mr. Evans' client is so that you understand his
4 ultimate purpose to avoid the ambush. Because that
5 uncertainty or lack of knowledge completely makes it
6 very difficult to, for example, question the
7 assumptions and presumptions that undoubtedly are
8 included within cross-examination questions.

9 So a position statement initially would
10 certainly be helpful as we begin to address matters
11 in rebuttal, for example. I mean, we have no idea
12 what their position is on this important issue and it
13 would be nice if we could have at least something
14 that we could address and deal with.

15 But I would certainly accept the rule, and
16 I don't do so, I don't say this to in any way
17 disparage Mr. Evans and his client or anything like
18 that or interfere with anybody's involvement. It's
19 just a matter of having the knowledge and information
20 available to us.

21 MR. EVANS: May I respond?

22 CHAIRMAN BOYER: Please, Mr. Evans.

23 MR. EVANS: One of the reasons we haven't
24 put up a witness at this stage is I'm not sure we
25 really have a position on one test year versus

26

1 another. That shouldn't preclude the ability of a
2 party to ask questions, challenge witnesses or even
3 -- or really request clarification. I shouldn't be
4 required to state a position before I ask a question
5 of a witness. I can tell you that today my purpose
6 is not to make any case or make out any position in
7 my questions. I just have a couple of questions for
8 clarification. My purpose here today is to
9 understand what the parties' positions are.

10 CHAIRMAN BOYER: Right. And we're going
11 to let you testify -- or we're going to let you
12 cross-examine, not testify, Mr. Evans. Yesterday I
13 pointed out at the beginning of the hearing that we
14 strongly discourage trying to prove one's case
15 through cross-examination. You're familiar with that
16 rule.

17 MR. EVANS: Yes.

18 CHAIRMAN BOYER: But, Mr. Proctor, you'll
19 have an opportunity to rehabilitate your witness.

20 MR. PROCTOR: Thank you.

21 COMMISSIONER BOYER: So proceed, Mr.
22 Evans.

23

24

25

DONNA DERONNE,

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1

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called as a witness, was examined

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and testified as follows:

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5

CROSS-EXAMINATION

6

BY MR. EVANS:

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Q. Ms. DeRonne, I have a question for you

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about your Direct Testimony. It's on page 6 where

9

the Committee -- you say the Committee is still in

10

the process of analyzing the proposal, but there are

11

a couple of safeguards that you might propose. Do

12

you see that? It begins, I guess, line 46.

13

A. Yes, I'm there.

14

Q. Can you describe what you have in mind

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about that first one, "The establishment of deferral

16

mechanisms to mitigate future cost increases"?

17

A. First I want to comment on that these

18

were -- I first indicated safeguards could take

19

various forms, and these are two potential types that

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we may consider. We're still too early in our

21

analysis and there's still a lot of data we need to

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review in this case and a lot of information that's

23

only available on site that we have not yet looked

24

at. So I just gave these as two potential types of

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examples of things that we may consider. That

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1 doesn't mean we're going to recommend these, but it's
2 something that we will take into consideration. And
3 you're looking for, I guess, examples with regards to
4 the first potential safeguard I listed?

5 Q. Yeah. And first I'm wondering whether
6 you're talking about deferral mechanisms for costs or
7 for capital expenditure?

8 A. It could potentially be for either,
9 depending on where concerns may be based on a more
10 thorough analysis of the Company's filing and
11 budgets. So I could conceive of potentially doing
12 it, for example, and I'm not saying that we are going
13 to recommend this because we're early in the stages,
14 but for the pipeline integrity project. I know Ms.
15 Zenger's testimony raised some concerns with the fact
16 that one of the past projects were significantly less
17 than they budgeted. That's something that we'll look
18 at. The costs per mile are projected to go up
19 significantly. And, again, I haven't looked at all
20 the details going into those costs yet, but if we
21 have a concern with those costs that's something I
22 can envision perhaps recommending one of these
23 potential types of mechanisms to safeguard customers.

24 Q. And the number 2 that you have listed
25 there on 149, customer credits, would be for the same

26

1 purpose?

2 A. Yes. To protect customers should the
3 forecast be significantly off.

4 Q. And do you think -- and how important is
5 it to the Committee that those kinds of safeguards be
6 allowed?

7 A. Again, as we get into our analysis, if
8 there's areas that we think are highly speculative
9 based on the information or that lacks enough support
10 in our opinion, and we think that it's very important
11 that consumers be protected, then, yes, it would be
12 important that these safeguards be put in place.

13 Q. And at this stage you don't know how --

14 A. Yeah. At this stage it is very early in
15 our analysis and there's still a lot of budget
16 information we have to go on site to review.

17 Q. So would it be fair to say that the
18 Committee's acceptance of the Company's proposed test
19 year is conditioned upon some mechanism like that
20 being able to be implemented, if necessary?

21 A. If necessary. If we determine that's
22 necessary, that we think that that should be
23 seriously considered in the revenue requirement phase
24 of this docket.

25 Q. One more question. Do you know whether
26

1 there is a provision somewhere in the statute that
2 would allow the Commission to make these kind of
3 adjustments after rates have been set?

4 A. When you say "this type of adjustment," I
5 know it's very common in states to have regulatory
6 assets or liabilities on the book, even within this
7 state. So I'm not aware of anything that's in the
8 statute precluding some sort of deferral mechanism
9 for regulatory liability.

10 Q. What about refunds, are you aware of
11 anything like that?

12 A. Not that I'm personally aware of. Other
13 people from the Committee may be more familiar with
14 that.

15 Q. Okay. Thank you.

16

17 DAVID M. CURTIS,

18

19 called as a witness, was examined

20 and testified as follows:

21

22 CROSS-EXAMINATION

23 BY MR. EVANS:

24 Q. Mr. Curtis, I would like to ask you about
25 the same topic if I could. I think it was in your

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1 rebuttal where you said you thought that that might
2 be a good idea? Am I wrong about that?

3 A. Yes. This is one thing that as a company
4 we have considered. We chose not to include this in
5 the case, but it may be something. I think parties
6 have noted that our feeder line replacement program
7 is a multi-year program going out at least five
8 years, if not longer, with significant costs. I
9 think other parties have noted that this may require
10 a series of rate cases over this period of time to
11 properly continually get that expense without a
12 corresponding customer increase in rate base and get
13 some recovery of that.

14 One solution that we have seen other
15 companies use is, for a specific project like this,
16 is a tracking mechanism where as costs are incurred
17 and put in place in the service there would be some
18 sort of a provision to change rates as that happens
19 or that occurs. And you know that might be something
20 that might be useful to all parties. We have not
21 proposed it in this case. We believe using a
22 forecasted test year, at least for our anticipated
23 rate-effective period, is reasonable and it would
24 accomplish that, but we would not preclude that.

25 Q. And have you thought about how that
26

1 procedure might take place so that we can get those
2 adjustments before the Commission? I mean --

3 A. I mean, not in great detail, no, just
4 conceptually.

5 Q. You're aware we have a problem about
6 retroactive ratemaking and these causing later
7 adjustments?

8 A. Yeah. I don't know the legal basis for
9 that, I would have to defer to the attorneys.

10 MR. EVANS: Thank you. That's all I have.

11 CHAIRMAN BOYER: Thank you, Mr. Evans.

12 Mr. Ball?

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

14

15 JONI S. ZENGER,

16

17 called as a witness, was examined

18 and testified as follows:

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20 CROSS-EXAMINATION

21 BY MR. BALL:

22 Q. And I apologize, a few weeks ago I was
23 diagnosed with pneumonia and a week later it was
24 supposed to be gone. It's a case that the pneumonia
25 is over, but the malady lingers on.

26

1 I would like to ask Dr. Zenger, please,
2 you referred in your summary this morning, and
3 correct me if I use the wrong words here, you
4 referred I think to Questar Gas Company expecting a
5 new large commercial customer in the 2008-2009
6 forecast test period. Do I have that accurate?

7 A. Yes. I was talking about the customer
8 growth was decreasing at an -- it was increasing at a
9 decreasing rate, the residential, but there was also
10 going to be a new commercial customer online.

11 Q. Thank you.

12 I wonder how much you -- forgive me if I
13 ask you for information that you're not aware of, but
14 to the extent you know it, is this new large
15 commercial customer a single site or multiple sites?

16 A. I can't answer that.

17 Q. Do you know what rate schedule the
18 customer will go on? If you know.

19 A. Perhaps Tim Curtis might be able to answer
20 those questions.

21 Q. Good point. So let me turn to Mr. Curtis.

22 DAVID M. CURTIS,
23 called as a witness, was examined
24 and testified as follows:

25 CROSS-EXAMINATION

26

1 BY MR. BALL:

2 Q. Can you first of all address whether or
3 not this new commercial customer will be on one site
4 or multiple sites?

5 A. This is primarily one site in northern
6 Utah, I think this is very publicly known. This is a
7 new Procter & Gamble facility in Box Elder County, I
8 believe it is. It does require a significant
9 investment in pipeline to access that. And I would
10 note that in our forecast test year we have included
11 the expected revenues from this customer as well as
12 the rate base and operating costs associated with
13 serving this customer in our forecast test year.

14 Q. And are you able to tell me what tariff
15 schedule you expect this customer to be included in?

16 A. Yeah. There's -- it's complicated because
17 it's a phase-in. I think eventually it's an FT rate
18 that this customer would be charged. In addition to
19 that they are also -- I believe they have a minimum
20 bill requirement. So it doesn't fall immediately
21 inside the tariff.

22 Q. If eventually FT, what about initially,
23 please?

24 A. Maybe Barrie can answer that.

25 MS. BELL: Excuse me just a minute. Can
26

1 we go off line for a minute? I need just a minute.

2 CHAIRMAN BOYER: Yes, please.

3 (Off the record discussion.)

4 CHAIRMAN BOYER: Are you ready?

5 MS. BELL: I think we're ready.

6 CHAIRMAN BOYER: I dozed off there.

7 MS. BELL: That's all right.

8 The concern that is raised about the
9 discourse about the contract, it's the terms of the
10 actual contract between Questar Gas Company and
11 Procter & Gamble. Some of those terms are
12 confidential, and I don't want to go that far to
13 discuss the details of that contract. If we want to
14 talk in general terms I think that would be more
15 appropriate.

16 CHAIRMAN BOYER: I'm going to sustain
17 that. I guess that was lodged as an objection. So
18 do you understand, Mr. Ball, where you need to go
19 from here?

20 MR. BALL: No. Sorry.

21 COMMISSIONER BOYER: You should talk in
22 general terms about a new customer and whether or not
23 costs are going to increase and so on, but the
24 details apparently are confidential at this point,
25 the specific details.

26

1 MR. BALL: So when Ms. Bell interjected,
2 the question that was --

3 CHAIRMAN BOYER: And as I recall, you were
4 asking about what rates were going to be charged
5 initially and then phasing into FT.

6 MR. BALL: I just want to make sure that
7 Mr. McKay is in the loop here. He's taking advice
8 from counsel, it looks.

9 BARRIE L. MCKAY,

10

11 called as a witness, was examined

12 and testified as follows:

13

14 CROSS-EXAMINATION

15 BY MR. BALL :

16 Q. The question that was on the table before
17 I think Mr. Curtis and Mr. McKay jointly was, are you
18 able to tell me if it's going to be FT eventually,
19 what's it going to be to start with?

20 A. I think generally we can assume that as
21 they begin their construction and they work on the
22 project they would be qualified as just a general
23 service customer, and once they get things up and
24 rolling they're identified to be a firm
25 transportation customer.

26

1 Q. So with today's rate structure, GS1?

2 A. My guess is, I mean, if you want to
3 identify what we're doing here, they will be coming
4 on as a customer during the rate-effective period.
5 So they will pay the rates that this Commission
6 approves on August 15th.

7 Q. Okay. But it's a bit speculative given
8 your request to divide GS1 between residential and
9 commercial whether or not we'll just have a single
10 GS1 or whether there will be a GS1 commercial, or
11 whatever you called it in your application. I don't
12 remember, certainly.

13 So I guess all I'm asking is GS1 or is
14 there some other place that they might start off at
15 that I can't conceive of?

16 A. No, no change to my response.

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18 DAVID M. CURTIS,

19

20 called as a witness, was examined

21 and testified as follows:

22 FURTHER CROSS-EXAMINATION

23 BY MR BALL:

24 Q. Back to Mr. Curtis, then, if I may. Mr.
25 Curtis, in your summary this morning you

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1 characterized the Company's test period request as
2 not aggressive and you explained that by saying that
3 the Company's projected rate base was being averaged
4 over 13 months?

5 A. Correct.

6 Q. So that was your explanation for it not
7 being aggressive?

8 A. That was one of my explanations of it, I
9 believe.

10 Q. Yes, yes. I don't mean to mischaracterize
11 what you said.

12 Would you agree, Mr. Curtis, that if a
13 capital addition takes place in the closing months of
14 a period of time, if that is, let's say, two months,
15 somewhere in the last two months, if something is in
16 place for the last two months of a 12-month period,
17 and if that is averaged, consumers' rates are going
18 to be impacted then by 1/6th of that amount of money,
19 but the customers are going to be asked to pay that,
20 according to your application, in their rates from
21 day one of the rate-effective period? Is that an
22 accurate portrayal?

23 A. Yes, roughly. But you also have things
24 going the other way around. If something is placed
25 in service, you know, at the beginning of this rate

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1 period, our test period starts before the beginning
2 of the rate-effective period and those costs would be
3 incurred, we wouldn't receive our cut on those until
4 during that rate-effective period. And so I think
5 that balances out.

6 MR. BALL: Thank you, Mr. Curtis.

7 Thank you, Chairman.

8 CHAIRMAN BOYER: Thank you, Mr. Ball.

9 Let's see if the Commissioners have
10 questions and then we'll proceed with Redirect.

11 Commissioner Allen.

12 COMMISSIONER ALLEN: I'm happy to report
13 that the panel process was so efficient that all my
14 questions have been answered. Thank you.

15 CHAIRMAN BOYER: Thank you, Commissioner
16 Allen.

17 Commissioner Campbell?

18 COMMISSIONER CAMPBELL: I have a few. Let
19 me begin with the practicality of changing the test
20 year at this point in the proceeding, and I would
21 like the parties who do the auditing, we have heard
22 from the Company that it would be several weeks. I
23 would like to hear from the parties what that does to
24 your auditing and what that does -- and if you would
25 insert maybe a two-week period as well as a four-week

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1 period hypothetically, maybe referring to yesterday,
2 and telling me what that does to your auditing. And
3 I understand that perhaps your auditing is -- that
4 the historical is the basis.

5 And the question is, can those audits
6 continue while the Company is redoing projections?
7 And then after that, is there time enough to deal
8 with the projections to file your testimony based on
9 our current schedule? That's what I would like to
10 know.

11 So I'm looking from the Division, the
12 Committee. Mr. Higgins, why don't we start with you
13 while they think about it.

14 You used I guess in your testimony
15 yesterday the word "practicable." And I want to know
16 if four weeks is practicable and is two weeks
17 practicable and how you feel about that.

18 MR. HIGGINS: Thank you, Commissioner
19 Campbell. Obviously, if it's a two-week turnaround
20 that's better than four weeks, but we would be
21 prepared to work with either of those with no request
22 in the change in schedule. You know, we recognize
23 that it does impose some kind of change in the
24 calendar year 2008, but we do believe that at the
25 outset of this process, one of the first litigated
26

1 test period cases in Utah in a long time, that it's
2 worth it to try to get it right.

3 COMMISSIONER CAMPBELL: All right. Thank
4 you.

5 Committee?

6 MR. PROCTOR: As a preface to Ms. DeRonne
7 and something that Ms. Murray just pointed out, we do
8 have two rate cases. And so there might be some
9 logistical problems just staffing and so forth. But
10 as far as the difficulty or lack of difficulty is
11 something that Ms. DeRonne could speak to. Certainly
12 there's going to be some staffing issues, not
13 insurmountable, but the Commission should bear that
14 in mind.

15 COMMISSIONER CAMPBELL: But my question
16 also is asking, are there things that the parties can
17 continue to do while your projections are made or
18 does everything just come to a dead halt while you
19 wait for this new filing?

20 MS. DERONNE: I do have a few different
21 comments to respond to that question. First of all,
22 part of it is going -- when it comes as two to four
23 weeks, obviously two weeks would be preferable. But
24 that's also contingent on the decision coming out
25 very quickly. Like, for example, if the decision

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1 doesn't come out for a few weeks until the end of
2 February and then the Company is allowed another four
3 weeks, that puts it off to the end of March, and I
4 believe testimony is due in April.

5 COMMISSIONER CAMPBELL: Let's assume that
6 the decision comes out on Thursday after the parties
7 file their comments on Wednesday.

8 MS. DERONNE: As long as we're given
9 guidance quickly, we believe we have access to the
10 budgets and some of the information on site at the
11 Company's office where we -- let's say,
12 hypothetically, if the Commission orders an '08 test
13 year as recommended by UAE, where we could work on an
14 audit in reviewing those budgets, it won't be as
15 efficient as if we had the filing in place already,
16 but there are still tests that can be done and we can
17 start working on reformatting some of the discovery
18 requests that perhaps have been already been issued
19 if we think that we need to revise them to focus on a
20 different test period. So we could continue the
21 process, but obviously the quicker the Company can
22 prepare the filing the better.

23 Another large concern with that, I would
24 also recommend that at the time the Commission issues
25 a decision if, in fact, they do go to UAE's

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1 recommendation of a 2008 test year, I know the
2 Company, Mr. Curtis filed some Rebuttal Testimony on
3 that issue and spoke today along the lines of perhaps
4 there wouldn't be as much objection to a year-end '08
5 test period.

6 I would recommend that the Commission in
7 its decision that comes out indicates that it should
8 be an average or year-end test period because there
9 are significant differences in how the filing in the
10 budget requirements are put together and it will
11 change the audit process to a degree and the review
12 of those budgets potentially to a large degree. One
13 big reason being, it may be a more simple task to
14 take plant and service and rate base to a year-end
15 number, but at the same time you also have to
16 annualize all of the components so you have a
17 matching within that case. You will have to
18 annualize the revenues, you'll have to annualize some
19 of the expense items, you would have to annualize
20 every component. And what we're auditing and
21 reviewing and have available thus far are the
22 Company's budgets and it's plain to me the budget is
23 on a 12-month period, not on one month times 12 to
24 get an annualized amount. So that would be a
25 significantly different filing than the information
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1 we've had available thus far.

2 And this is kind of a long answer, but in
3 the event that a year end is recommended, we also
4 recommended that within that decision the Company be
5 required to very quickly file all calculations and
6 assumptions and everything they use to annualize
7 those numbers because it's going to be imperative
8 that we get that documentation and backup as quickly
9 as possible because of the time constraints in this
10 case.

11 COMMISSIONER CAMPBELL: Before I have the
12 Division answer, let me follow-up. Does your time
13 constraint differ whether it's year-end or average?

14 MR. CURTIS: Probably not significantly.

15 COMMISSIONER CAMPBELL: Okay. Dr. Zenger
16 or someone from the Division, would you respond to
17 this question?

18 MR. GINSBERG: Well, I think -- -- I think
19 we're going to try and let Dr. Zenger answer the
20 question, and maybe if need be we can get our
21 auditors who are doing the audit, if you feel it's
22 not sufficient. But I think she can probably answer
23 sufficiently. But just understanding that she is not
24 actually doing the audit work for the Questar case.

25 COMMISSIONER CAMPBELL: That's a good
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1 qualification. Go ahead.

2 MS. ZENGER: I think I would echo some of
3 Donna's responses in things we would have to have and
4 go back in the audit and look at. I know right now
5 we've sent out 19 sets of Data Requests based on the
6 forecasted test year and I don't know how many
7 questions were in there. So we would have to really
8 get the ball rolling fast so we could catch up and
9 get -- we've got -- we've hired accountants to help
10 us with this so we would need to know right away.

11 COMMISSIONER CAMPBELL: I have a couple of
12 questions for the Company, and actually I want
13 everyone to weigh in on one of them, but the first
14 question to Mr. Curtis is very specific. And, that
15 is, when you calculated that your usage number
16 between '08 and June '09 went up -- or went down by
17 1.5 percent, does that fall within the CET accrual
18 count?

19 MR. CURTIS: Right now we are hitting the
20 limits on the CET accrual. So we're going to quickly
21 be outside of that.

22 COMMISSIONER CAMPBELL: But my question
23 is, if we reset the rates and then you have a 1.5
24 percent drop, and you said you're still within your
25 accrual path?

26

1 MR. CURTIS: I think if you reset the
2 rate, yes, I think that would work perhaps for a
3 short period of time. Keep in mind, the accrual is
4 needed back from the point in time you set that --
5 you reset it. So the further in time -- you know, I
6 think we would quickly -- based on recent experience,
7 I think we could run out of room on the accrual cap
8 very quickly.

9 COMMISSIONER CAMPBELL: Mr. McKay, I'm
10 going to start with you, but I do want the other
11 Panelists to respond to this question. There's this
12 presumption about rate-effective period that I would
13 like to just explore briefly. And I'm going to give
14 you my second question first so you know where I'm
15 going before I give you my leading question. But my
16 second question is, do we really know the end date of
17 the rate-effective period?

18 And I'm going to start with my -- and
19 you've assumed 12 months, I heard yesterday 8 months,
20 and I'm going to propose -- or I'm going to ask you,
21 is it possible that if we were to issue an order
22 August 15, 2008, and we completely messed up and the
23 Company said, you know, you are missing this major
24 investment and without having the money in the rates
25 we can't do this, and so you immediately file for a
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1 rate increase and ask for an interim rate relief,
2 could not the rate-effective period be 30 days after
3 the day of the initial order?

4 MR. MCKAY: I'll answer your first
5 question first. And yes, what you just -- the
6 situation, and first of all I'd have to assume that
7 you did approve interim rates and we had missed and
8 that we have a hearing all within 30 days and we
9 somehow put together a case, that the immediate day
10 following the order on the 15th of August, which is
11 rather hard, but history has proved with enough
12 passion we have been able to put together a general
13 rate case in two weeks. I think it would not at all
14 be with the same type of preparation and work and
15 data that we have had. And given the statute and us
16 trying to comply with that, it takes a little while
17 to put together the information and the data that we
18 currently have. Your situation that you've just put
19 out there is, yes, if all that came together you
20 could try to do that and assume that the Commission
21 would agree to their error that they had just made 30
22 days earlier and order such a thing.

23 Now, moving to your second point, which is
24 how long is this rate-effective period. We have
25 evidence in our past, particularly when we have filed
26

1 in the late '70s and the early '80s, where we call it
2 a pancaked rate case, such that rates don't last a
3 whole year.

4 COMMISSIONER CAMPBELL: You're
5 anticipating where I'm going, but go right ahead.

6 MR. MCKAY: And therefore we could -- and
7 I mean, let's take it maybe not as extreme as you've
8 laid out, but realistically we could try to put
9 together a case rather quickly after the 15th when we
10 find out where we're at and then there's a 240-day
11 period, which is about an eight-month period. So if
12 things went on normal, if we call that normal, they
13 would last at least 8 months. Typically we have not
14 filed pancaked rate cases, nor have we filed every
15 year. If you look in the '90s, we filed about every
16 other year, and it was about every 24 months, given
17 where we were at in our analysis in what we were
18 doing, that the rates were changing. This is the
19 non-gas rates that were changing.

20 All that is slightly different from what
21 we're facing now. We have not experienced a change
22 of us going through our feeder line replacement
23 system, and Mr. Curtis has very thoroughly
24 represented some of the thought process we went
25 through as we realized what the driver was. And it

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1 wasn't a big increase in new customers or even a
2 decrease in those customers, but it's us even going
3 to take care of an aging backbone system as well as
4 the capacity needs that currently exist today.

5 We think we're okay with our current
6 forecast of the test period. Where that goes as we
7 review the results that Mr. Dodge had identified,
8 we'll be looking at them after we get rate relief,
9 what we get and do our regulatory reports and our
10 estimates of where we're at.

11 COMMISSIONER CAMPBELL: Thank you.

12 I would like to hear from the other
13 panelists. Is it wrong to say that we know when the
14 rate-effective period begins but we do not know when
15 it ends?

16 MS. DERONNE: No. I think that's a valid
17 concern. I mean, there have been situations where
18 Utah has gone a number of years without increasing.
19 So it's in fact a couple of months longer than 12
20 months and it can be less than 12 months. But in
21 determining -- this is again from an audit
22 perspective and putting the revenue requirement and
23 the calculations together. It's the most practical
24 and easiest to use a 12-month period in doing that.
25 But I think it's about --

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1 COMMISSIONER CAMPBELL: But the question,
2 obviously, then goes to is it the 12-month period
3 that ends on the day when rates become effective or
4 is it 12 months starting at that point? That's
5 really the question. I guess a lot depends on what
6 one believes is going to happen in the time after the
7 order issues.

8 MS. DERONNE: You mean as far as the rates
9 becoming best reflective of the rate-effective
10 period?

11 COMMISSIONER CAMPBELL: Sure. Are we
12 shooting for when the order comes out and rates begin
13 or are we shooting for 12 months from that date? I
14 mean, that's a big difference. Or it could be,
15 depending on what the companies have in their budgets
16 and forecasts.

17 Dr. Zenger, do you have an opinion on
18 that?

19 MS. ZENGER: Just most of the literature
20 that I have read has indicated it would be a year,
21 but I can see that there's other circumstances
22 mentioned by the other panelists that it may not be a
23 year. And I've read different readings that say
24 during the rate-effective period or during the start
25 of the rate-effective period, and that's two

26

1 questions.

2 In this case I think it would be
3 worthwhile, considering the October 2009 expiration
4 of the CET, because counting backwards on that, the
5 rate-effective period in this case may be shortened.

6 COMMISSIONER CAMPBELL: Okay.

7 MR. HIGGINS: Commissioner Campbell, let
8 me parse your question just a little bit. When one
9 refers to rate-effective period in a purely
10 analytical sense, by convention it may be convenient
11 to think of it as a 12-month period in that we use a
12 12-month test period to set rates. So there is a
13 sense in which a rate-effective period can be used in
14 a 12-month sense if you're trying to compare it to
15 the test period that was used to set rates.

16 Then in a more common application we're
17 talking about the period in which rates are in
18 effect. And of course that is open-ended certainly
19 from the perspective of customers. Generally it's
20 the utility that files a rate case and so there is --
21 it could be anyone's guess as to how soon or -- how
22 sooner or later such a filing would take place. So,
23 you know, it is as a practical matter open-ended,
24 it's not just limited to one particular period of
25 time.

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1 COMMISSIONER CAMPBELL: Mr. McKay?

2 MR. MCKAY: Just a clarification.

3 Dr. Zenger has identified I think what has been
4 perhaps the Division's perspective as it relates to
5 our CET and needing, quote, a rate case for
6 continuing that forward. And I think the
7 interpretation may be that they think it needs to
8 happen at that particular October date in time. I
9 think the Company has a different perspective on
10 that, and actually feel that we're in the middle of
11 trying to make sure everything, including that issue
12 of CET, is considered in our prices that were set,
13 terms that were allowed, and everything that's going
14 to take place in the revenue requirement portion.
15 And we're not necessarily anticipating that we'll be
16 turning around immediately and filing that at the end
17 of that period.

18 COMMISSIONER CAMPBELL: Thank you.

19 CHAIRMAN BOYER: I just have a couple of
20 questions. The first is for Mr. McKay. When you
21 gave your summary you used a visual aid, a graph
22 entitled "Forecasted Test Year Best Reflects
23 Rate-Effective Period." And on the horizontal axis
24 there's a scale, that's just a timeline, the vertical
25 access doesn't have a scale. I'm just hoping that

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1 this steep incline doesn't represent your forecast of
2 cost of service over the next three years.

3 MR. MCKAY: I would agree this is for
4 illustrative purposes, but it is reflective of what
5 we are seeing, and that is an increase in costs. We
6 actually put this same graph together with the slope
7 going exactly the negative of that as well as the
8 sloping flat, too, to illustrate when we would need a
9 historical and when we would need a forecasted one.

10 CHAIRMAN BOYER: Thank you, Mr. McKay.

11 Mr. Curtis, and you may have already
12 answered this, but the costs of -- well, first of
13 all, a question of the service date of the various
14 feeder line construction projects. Are the State
15 Street's lines in 33rd and 35th South, are those now
16 in service, or portions of them?

17 MR. CURTIS: The State Street line is all
18 in service. It was placed in service in several
19 segments last year. It's fully in service, it's in
20 our base numbers.

21 COMMISSIONER BOYER: Is it fair to say the
22 costs of the projected construction of the feeder
23 lines is known and measurable at this point, you have
24 pipe that's been coated, your constructors standing
25 by and so on?

26

1 MR. CURTIS: Yes, we have a contractor
2 that is working with us. I think our intention is to
3 use this contractor for a period of time. Now that
4 we've had experience, I think our intention is to
5 continue to use them this year.

6 CHAIRMAN BOYER: My last question is for
7 all of the panelists. Does the selection of the test
8 year have any effect, in your opinion, on rate
9 stability moved along or short, as Mr. Higgins has
10 suggested? Does anyone have an opinion on that?

11 Mr. McKay?

12 MR. MCKAY: I do. And I would say yes to
13 that. And the illustration of that has actually been
14 portrayed by a couple of witnesses here to my right
15 and, that is, if we choose to in this future period
16 have rates that are based on historical cost, you've
17 essentially had it calculated. It will be about a
18 25, \$27 million shortfall during what we have
19 identified in our rate-effective period beginning in
20 August and going for at least a 12-month period, it
21 could go longer, or if we only choose halfway there,
22 we're only picking up half of what the cost of
23 service will be during that rate-effective period.

24 So we would, assuming that those forecast
25 projections do come to fruition, be in need of rate

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1 relief sooner because we didn't choose a test period
2 that reflected the conditions during that next 12
3 months or rate-effective period.

4 CHAIRMAN BOYER: Thank you, Mr. McKay.

5 Anyone else? Do you want to respond on
6 that? Chairman Campbell does.

7 MR. HIGGINS: I'm sorry.

8 COMMISSIONER CAMPBELL: I have a
9 follow-up, but I'll wait until you answer his
10 question. I do have a follow-up on that question.

11 CHAIRMAN BOYER: Mr. Higgins, please.

12 MR. HIGGINS: In my view, I don't believe
13 that we would be prejudicing rate stability either
14 way. I would note that one of the larger elements of
15 rate instability that customers face is simply the
16 pass-through gas cost. And so that certainly is, I
17 think, one of the more -- any implications with
18 respect to the choice of test year.

19 CHAIRMAN BOYER: Thank you, Mr. Higgins.
20 And I think you've answered Commissioner Campbell's
21 question as well.

22 Let's proceed now, then, with Redirect, if
23 there is any, and we'll decide on the remainder of
24 the schedule for this hearing after that. And we'll
25 begin with the Company.

26

1 Any Redirect, Ms. Bell?

2 MS. BELL: I just have one question.

3

4 DAVID M. CURTIS,

5

6 called as a witness, was examined

7 and testified as follows:

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9 REDIRECT EXAMINATION

10 BY MS. BELL:

11 Q. Mr. Curtis, you mentioned that a 2008 test
12 year with an end of year rate base may be acceptable.

13 Is that the test year that best reflects the new
14 rate-effective period?

15 A. No. I think, as I've indicated in my
16 testimony, we still believe the fully forecasted test
17 year ending June 30, 2009 is the most representative
18 of the rate-effective period.

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

20 CHAIRMAN BOYER: Mr. Proctor, any
21 Redirect?

22 MR. PROCTOR: No thank you.

23 CHAIRMAN BOYER: Mr. Ginsberg is
24 conferring with his client.

25 MR. GINSBERG: No, we don't have any.

26

1 CHAIRMAN BOYER: Mr. Campbell has a
2 question for the attorneys.

3 COMMISSIONER CAMPBELL: Just a quick
4 question. If we are able to issue an order on
5 Thursday, but the rationale would be delayed until we
6 actually did our final rate case order, isn't that --
7 I mean, the order on test year itself wouldn't
8 necessarily have to be a final order to give
9 direction for the rest of the case?

10 I mean, I saw my staff kind of gulp when I
11 said Thursday. And I just want to get in my mind, we
12 would give you a decision, but we would take the time
13 necessary to justify and explain our decision if
14 anybody disputed that. And we could do that at the
15 end of the case; isn't that right?

16 MR. PROCTOR: Yes.

17 MR. GINSBERG: My initial reaction is that
18 it would not be an order that a finding on appeal
19 would be held with full case available.

20 MS. BELL: I think we would agree.

21 CHAIRMAN BOYER: Mr. Ginsberg, do you have
22 any redirect.

23 MR. GINSBERG: No.

24 COMMISSIONER BOYER: Mr. Dodge.

25

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1 KEVIN C. HIGGINS,

2

3 called as a witness, was examined

4 and testified as follows:

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6 REDIRECT EXAMINATION

7 BY MR. DODGE:

8 Q. Just one question. Mr. Higgins, there has
9 been discussion about average versus year-end test
10 period. What is your recommendation for the rate
11 base -- excuse me, year-end versus average in a 2008
12 test period?

13 A. My recommendation for calendar year 2008
14 is for an average rate base ending calendar 2008.

15 MR. DODGE: Thank you.

16 COMMISSIONER BOYER: Mr. Evans, you don't
17 have a witness to redirect?

18 MR. EVANS: No.

19 COMMISSIONER BOYER: Mr. Ball, do you have
20 anything further?

21 MR. BALL: A couple of points, please,
22 Chairman.

23 The notion has been advanced that there
24 are only five legitimate periods that could be
25 considered as test periods here because the Company

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1 provides semiannual results along with the things
2 that we've already talked about. I would like to
3 point out that while it may be convenient from an
4 accounting perspective to have that limit, there's no
5 statutory reason for excluding them, any other
6 potential test periods within the ten-year range,
7 from consideration in selecting the best on the basis
8 of evidence.

9 And my last point is, on the 27th of
10 March, 2007, in Docket 06-057-T04, Mr. Robinson
11 offered testimony on behalf of the Company and you
12 confined what he said in the transcript of that 27th
13 of March hearing on page 32, line 16 to 19. He said,
14 "I think it's the Company's position that the rates,
15 including the GSS and EAC rates, are still just and
16 reasonable and continue to be just and reasonable."

17 Now, that was on the 27th of March. That
18 was just a day or two away from the end of the ninth
19 month of the historic period in which Questar now
20 claims that its rates are inadequate. They are still
21 just and reasonable and they continue to be just and
22 reasonable.

23 From my perspective, I think it's
24 reasonable to say that with just three months of that
25 historic period left we ought to be able to expect
26

1 that the comment that they would continue to be just
2 and reasonable would run through the end of the
3 historic period ending the end of June 2007. Then
4 I'm suggesting to the Commission that Questar Gas
5 Company's sworn position before the Commission less
6 than a year ago was that its rates were and would
7 continue to be just and reasonable through the
8 historic period.

9 When you add that to Mr. Allred's
10 testimony that I've already referred to, that the
11 Company needs to look to the future test period, then
12 it doesn't meet the requirement of Section 54-4-1 --
13 sorry, 54-4-4(1) that the Commission needs to make a
14 finding that rates are not adequate before it
15 launches on an investigation of rates.

16 Thank you very much.

17 CHAIRMAN BOYER: Thank you, Mr. Ball.

18 (Commission conferring off the record.)

19 CHAIRMAN BOYER: I have a suggestion, not
20 that I'm going to need your acquiescence in how we do
21 this, but I'm thinking about taking a ten-minute
22 recess to let the attorneys collect their thoughts
23 and the reporter rest her fingers and then we
24 reconvene after that for very brief closing arguments
25 and conclude the hearing before we break for lunch.

26

1 Is that acceptable?

2 MR. DODGE: Yes.

3 CHAIRMAN BOYER: Mr. Monson?

4 MR. MONSON: Are we off the record?

5 COMMISSIONER BOYER: No, we're on the
6 record. But we can go off the record now that we're
7 in recess. Okay. We're off the record. Say
8 whatever you want.

9 MR. PROCTOR: Mr. Chairman, could Ms.
10 DeRonne be excused to catch a plane?

11 CHAIRMAN BOYER: Yes.

12 (Recess taken.)

13 CHAIRMAN BOYER: Okay. Let's go back on
14 the record. I see all the lawyers are here so that's
15 what counts, and Mr. Ball is here. So far Mr. Orton
16 has the gold star for brevity, but we're going to now
17 hear your closing arguments. Let's keep them simple
18 if we could, and we'll begin with the Company and
19 then follow in the same order we did for the
20 cross-examination with Mr. Proctor and Mr. Ginsberg
21 and around the room in that fashion.

22 Mr. Monson, are you going to give the
23 closing argument?

24 MR. MONSON: I am.

25 CHAIRMAN BOYER: Very well. Proceed.

26

1 MR. MONSON: Commissioners, the evidence
2 presented today demonstrates that the Company's
3 proposed test period ending July -- or June 30, 2009
4 best reflects the conditions that a public utility
5 will encounter during the period when the rates
6 determined by the Commission will be in effect.

7 Now, given the exchange today we might
8 lose sight of the fact that no party in this case has
9 recommended a test period other than a future
10 forecast, fully forecasted test period. And I think
11 that's because, given the Company's increasing costs,
12 the increasing investments that are required, the
13 increasing number of customers, even though that's
14 tailing off a bit, but it's still increasing, and
15 decreasing usage per customer, it's obvious that a
16 forecast test period is the appropriate test period.

17 The Company witnesses recommend a fully
18 forecasted test period ending June 30, 2009, and have
19 offered persuasive and unrebutted testimony that this
20 period best reflects the conditions during the
21 rate-effective period. They've testified that use of
22 an earlier period will not reflect the conditions
23 that will be in effect during the rate-effective
24 period for several reasons, but most importantly
25 because the Company is engaged in a significant

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1 investment program for pipeline replacements that
2 will not be included if an earlier period is used.

3 They further testified that the
4 forecasting in this case is relatively simple;
5 there's no significant multistate allocations and the
6 case only deals with distribution non-gas revenues.

7 The Division's witness, Dr. Zenger,
8 testified, and I quote, "The forecasted test year
9 ending June 30, 2009 is the most appropriate test
10 year for Questar in this case."

11 The Committee's witness, Ms. DeRonne,
12 testified, and I quote again, "The Company's proposed
13 test year, if adjusted appropriately, can be
14 reasonably reflective of the conditions Questar Gas
15 is likely to encounter during the rate-effective
16 period."

17 Mr. Higgins, UAE's witness, has also
18 recommended a fully forecasted test period, and he
19 said today he believes that's the most appropriate
20 type of test period in this case.

21 Mr. Ball's position on the test period is
22 a little bit unclear because his Prefiled Testimony,
23 which he swore was accurate today, says that "A test
24 period ending June 30, 2009 may be good in that it
25 more closely matches a rate effective period." Now,

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1 he also said in that same testimony, and I don't want
2 to take it out of context, "that a 2008 period might
3 be right or maybe a historic period might be right."
4 Well, what I'm getting at is he hasn't recommended a
5 specific period or offered any evidence in support of
6 a specific period.

7 So what are the issues since all the
8 parties seem to be in agreement that a future test
9 period should be used? Well, the main issue is
10 really the choice between UAE's recommended test
11 period of 2008 calendar year and the Company's
12 recommended test period ending June 30th of 2009.

13 While it's a truism that projections that
14 are closer in time are likely to be more accurate
15 than those that are farther out, Mr. Higgins has not
16 presented any evidence in this case that a 2008 test
17 year better reflects the conditions that will exist
18 in the rate-effective period than the Company's
19 proposed test year of June 2009.

20 Now, if you'll look for just a minute at
21 the exhibit, Mr. McKay's Exhibit 1.2, if you adopt a
22 2008 test period with a mid year average test period,
23 then the point that you're adopting for setting rates
24 is before the rate-effective period by two months.
25 And -- well, a month and-a-half. And you can change
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1 the slope of this line, but everyone agrees there is
2 an upward slope on this line and so the rates you set
3 will be lower than the cost of service during the
4 rate-effective period. There's no dispute about
5 that. They will be lower. And so I submit that you
6 can't select that test period because it does not
7 best reflect conditions that will exist during the
8 rate-effective period.

9 However, as Mr. Curtis testified, if
10 year-end rate base and year-end results are used for
11 the 2008 period, then the test period will at least
12 fall within the rate-effective period and is a
13 possible alternative. Not preferable, but possible.

14 Mr. Ball contends that the rate case
15 cannot be filed because Questar is not currently
16 underearning. First of all, this issue has nothing
17 to do with the selection of a test period so it can
18 just be ignored, but the fact is the Commission has
19 ordered Questar Gas to file this rate case.

20 There is no statute or rule that prohibits
21 a company from filing a rate case if it's not
22 underearning despite Mr. Ball's interpretation of
23 54-4 -4, and in fact the Commission has ordered the
24 Company to file a rate case. So even if there were a
25 statute, then we would be caught between a rock and a
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1 hard place because we have to obey the Commission's
2 order. But the fact is that the Company is
3 underearning and so it's all an irrelevant discussion
4 anyway.

5 He also has taken the position that the
6 Commission needs to examine every possible test
7 period. Well, he doesn't say what happens if the
8 Commission doesn't do that. What test period is the
9 Commission supposed to use? The fact is, the
10 Commission can only examine test periods that are
11 proposed by parties, and there's only two that have
12 been proposed in this docket. And only one of those
13 two is supported by evidence that it is the test
14 period that most accurately reflects what will happen
15 during the rate-effective period.

16 There's been an argument raised about the
17 used and useful principle. It's interesting that
18 that argument is raised by UAE because the same
19 argument applies equally to the test period they're
20 recommending in this case, but it's obviously
21 incorrect. The statute allows a fully forecasted
22 test year. And given appropriate matching, it's
23 necessary that rate base will also be forecast for
24 the same period.

25 And furthermore, the principle is that
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1 plant -- that rates should only be based on plant
2 that's used and useful during the test period. The
3 plant additions that are included in the Company's
4 proposed test year will be used and useful during the
5 test year. And as Mr. Curtis testified, the plant
6 will come in incrementally, not in large lumps, and
7 they've only been included in the test year. The
8 plant has only been included in the test year to the
9 extent it's in service during the test year by
10 averaging, and they will also take place regardless
11 of changes in economic conditions.

12 As Ms. DeRonne pointed out, even without a
13 statute like that in Utah, Commissions around the
14 country use future test years and use projected rate
15 base. And as Mr. McKay pointed out, this Commission
16 traditionally used the projected test year, including
17 the projected rate base, and it was only in the
18 mid-1980s that the Commission departed from that
19 practice.

20 There's been suggestions that because the
21 projections are out to the middle of 2009 they may be
22 too speculative. However, as Mr. McKay's quote from
23 Professor Kahn noted, it's no more speculative to use
24 an historic test year to test and make the future
25 than it is to use projections into the future.

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1 There's no evidence that the Company's
2 incentives to reduce costs will be diminished as a
3 result of the use of a future test period. In fact,
4 Dr. Zenger's testimony is that they won't be reduced,
5 that they'll be continued. So the evidence in this
6 case is overwhelming that the test period proposed by
7 the Company is the one that best reflects the
8 conditions that Questar Gas will encounter during the
9 period when rates determined by the Commission will
10 be in effect.

11 We urge the Commission to select that test
12 period and to do so soon. And I guess we don't need
13 to urge that if the order is going to be received
14 next week because an early determination of the test
15 period will assist all the parties in putting
16 together their cases and their analysis.

17 Thank you.

18 CHAIRMAN BOYER: Thank you, Mr. Monson.

19 Mr. Proctor?

20 MR. PROCTOR: Thank you.

21 The evidentiary standard of beyond the
22 foldout does not appear anywhere within American or
23 English jurisprudence, and in fact it can't because
24 if that were the standard in any determination by
25 this body you would make no determination ever.

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1 And in fact, 54-4-4 does not require that.
2 It sets forth a continuous hearing process. There is
3 no preliminary or threshold decision that you must
4 make. You consider in a hearing whether or not the
5 rates are just and reasonable. If you find certain
6 circumstances to exist, then you determine new rates
7 that in your judgment are just and reasonable.

8 The standard there is substantial
9 evidence. Just as I would suggest the standard is
10 when you're looking at the -- what test period, not
11 specific evidence on the merits, but what test period
12 best reflects the conditions that a public utility
13 will encounter. Conditions becomes the important
14 part, not rate of return issues, not whether or not a
15 project is going to be completed. It is projected
16 looking forward to the conditions in the economy,
17 perhaps, within the operations of the Company that
18 would best reflect -- or, excuse me, the test period
19 that would best reflect those conditions. That's
20 what you have to decide.

21 Again, as in the case yesterday, in
22 today's case the Committee has determined that in its
23 judgment it has no reason to doubt that this rate --
24 that the test period as proposed in Questar's
25 application will reflect the conditions that they

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1 will encounter based upon our ability to make
2 adjustments to forecasting, to actual operational
3 data, to budgets and so forth, which again, no one in
4 this proceeding has even suggested that we cannot do
5 or that we're in any way limited in our doing.

6 The most important thing is to know now,
7 as Ms. DeRonne testified, know now the framework, the
8 common point in time that we're going to deal with,
9 and we will deal with it.

10 Thank you very much.

11 CHAIRMAN BOYER: Thank you, Mr. Proctor.

12 Mr. Ginsberg.

13 MR. GINSBERG: The Division's
14 recommendation was that the Division had no
15 objections and could make the adjustments that were
16 just referred to utilizing the test year of June '08
17 through June '09. And it was based on a review of
18 determining what condition, just as Mr. Proctor
19 stated, the Company was going to face during the time
20 after August '08 when rates go into effect, looking
21 at mainly the capital expenditures, but also looking
22 at more general levels that are occurring in our
23 economy, including inflation, including dramatic
24 increases in the cost of steel and other factors that
25 are required to place this infrastructure into the

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1 ground.

2 So the issue I think the Division and the
3 Commission really has to face is not really whether
4 the historical test year with known and measurable
5 changes is an alternative because I think all of the
6 evidence supports the use of a forecasted test year.

7 The emphasis you're going to give to
8 whether you operate off of making adjustments off the
9 6/09 time period, including all of the possible
10 changes that will take place after the end of '08, or
11 you basically cut off the possibilities of looking at
12 the capital expenditures, the changes in usage per
13 customer and other factors that will occur in that
14 additional six-month period, one of which would limit
15 what we're going to look at. And the other would
16 make it all available for all the parties to look at
17 going through June '09, and then each party then can
18 make the adjustments off of that time period.

19 I think generally, the Commission making a
20 test year decision is a broad policy decision for the
21 Commission to make on really what emphasis they want
22 to give to the factors and the evidence that's being
23 presented. And we hope that the order that you come
24 up with, whether it be on Thursday or when you
25 finally state all of your reasons at the end of the

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1 case, provide us direction in the future to how these
2 kind of test years should be selected so that these
3 proceedings basically a month or two after the case
4 is filed can be more expedited.

5 Thank you.

6 CHAIRMAN BOYER: Thank you, Mr. Ginsberg.

7 Mr. Dodge?

8 MR. DODGE: Thank you, Mr. Chairman.

9 There is a stark lack of evidence in this
10 record from the Company of any analysis about the
11 factors identified by this Commission just a few
12 years ago as to the factors that ought to be looked
13 at in determining what the test year should be.
14 Instead, the Company relies upon two things: the
15 tautological assertion that the future is closer to
16 the future, which no one can dispute, and secondly,
17 that they project higher costs.

18 If those are the only two factors that
19 matter and that go into a determination of test
20 period, then the legislature wasted a lot of time and
21 a lot of our energy and money by putting into the
22 statute that the Commission could consider all three
23 types of test periods identified in the statute, and
24 giving you the discretion to identify the factors,
25 which you've done, that ought to go into that

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1 analysis.

2 It's not enough, again let me repeat, to
3 make the tautological assertion that 2009 is closer
4 to 2009. If that's the standard, then there is no
5 option but the most aggressive test period possible.

6 I submit that the other factors matter
7 too. What the utility is asking you to do here is a
8 radical, radical departure from historical practice.
9 This utility was up at the legislature and before
10 this Commission complaining not too many years ago
11 that this jurisdiction had the most conservative
12 approach in the country. In fact, they hired a
13 consultant to do an analysis of that and came and
14 presented it here, presented it at the legislature.
15 It was the most conservative in the country because
16 it didn't even permit out-of-period adjustments
17 usually. That was a slight misstatement of this
18 Commission's practice, but that was how they
19 characterized it.

20 They are now asking you to move in one
21 fell swoop to the most liberal, the most liberal, the
22 most aggressive test period analysis I'm aware of in
23 the country. And I've asked both the Company and
24 others to identify one with a more aggressive, more
25 liberal test period, and no one has yet pointed one

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1 out.

2 It is the truth that some, that many
3 states allow future projected test periods. Many
4 don't. Many still rely on historical ones with known
5 and measurable. Any can produce just and reasonable
6 results, otherwise the last 20 years of regulation in
7 this state has been illegal. You've produced just
8 and reasonable results in the past with historical
9 test periods, you've produced just and reasonable
10 results in the past with a 12-month forecasted test
11 periods, and you can continue to do so.

12 And the utility has done fairly well under
13 those standards. They haven't had many years they
14 could come in here and complain that they're
15 underearning, notwithstanding that rates were based
16 upon test periods other than the aggressive one that
17 they now seek.

18 It is frankly disturbing to see the
19 willingness of some of the parties to this proceeding
20 to defer almost completely to whatever the utility
21 wants and projects and say that's good enough for us,
22 we don't object. The job of everyone before this
23 Commission is to analyze all the factors you
24 identified and determine what's the best for the
25 ratepayers. And this Commission also has to worry,

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1 obviously, about the utility to a certain extent,
2 what's best, what's fairest to the utility. There's
3 a disturbing lack of analysis of that.

4 If the utility succeeds in moving from the
5 most conservative test period to the most aggressive
6 in the state in one fell -- in the country in one
7 fell swoop, there will be literally tens of millions
8 of dollars of permanent money transfer from the
9 ratepayers to the utility in prepayment that in the
10 past weren't allowed. And the reason they weren't
11 allowed, in part, was because the utility has the
12 ability to control its expenditures within some
13 limits. It was to be given an incentive to operate
14 more efficiently. And by setting rates based upon
15 more current information, or even historical
16 normalized information, it was perceived it would
17 provide that incentive.

18 I hope they go buy their lobbyists
19 Ferraris for each of them if they end up succeeding
20 in this because it will have been a huge benefit to
21 this utility, notwithstanding representations made at
22 the time and legislative intent expressed at the time
23 that this did nothing except remove the most
24 conservative test period from consideration, that is
25 the one without known and measurable, and otherwise
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1 created absolutely no presumption. The legislature
2 would have understood the tautological argument, the
3 future is closer to the future. They still said
4 there's no presumption.

5 Looking at -- I would encourage Your
6 Honors each to reread the Order from 2004. Now, two
7 of you were here at the time and participated so it's
8 a little presumptuous of me to say that, but it would
9 be good to read the concerns you expressed about
10 projecting into the future. Those all are still
11 applicable today.

12 And then I encourage you to look at not
13 just the testimony of whether 2009 is closer to 2009,
14 which is the only evidence they presented, but rather
15 the concerns you listed in your order. For example,
16 is the test -- the factors you identified, the test
17 period should balance the utility's investment,
18 revenues and expenses so they're all matched on the
19 same level of operation. That factor is neutral.
20 Both of the projected test periods here will do that
21 with this exception. If you force them further into
22 the future, the Division and the Committee said we
23 can adjust backwards, and now you're going to get
24 mismatching. I submit that factor weighs in favor of
25 a closer in time test period or is neutral.

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1 The second one is the general level of
2 inflation. The general level of inflation is very
3 low and projected to go lower, and there is evidence
4 on the record to that effect. And you're -- the
5 Commission has seen periods of 18 and 20 percent
6 inflation. That's what we're talking about with
7 major inflation, 10 and 12 percent. We've got fairly
8 low inflation, projections of a recession. That
9 factor, I submit, weighs in favor of a sooner in time
10 test period.

11 The next one the Commission identified is
12 changes in the utility's investments, revenues or
13 expenses. That factor suggests a more aggressive
14 test period. I agree with that. That's the only
15 factor they have other than the tautological
16 arguments.

17 The next one the Commission identified is
18 changes in utility services. There are no
19 significant changes in utility services here that
20 would have an effect on a test period. So that one
21 would be neutral.

22 The next one is the availability and
23 accuracy of data to the parties. I think it's
24 indisputable, and the record reflects this, that the
25 further you try and project out in time the more --

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1 the less reliable it is. And in fact, I suspect that
2 was the policy behind this state not allowing
3 projections more than 12 months in the past. The
4 fact that it now will allow you to consider it
5 doesn't mean that the concerns about future, more
6 extreme projections have gone away.

7 The sixth factor you identified is the
8 ability to synchronize the utility's investments,
9 revenues and expenses. And like the first one I
10 mentioned, that would be neutral except for the fact
11 that to get where they want to, the Division and the
12 Committee each say they'll adjust backwards as
13 needed, which then throws into question the ability
14 to properly synchronize or match all of your
15 investments, revenues and expenses.

16 The seventh factor is whether the utility
17 is in a cost increasing or cost declining status.
18 They say they're in a cost increasing. Again, that
19 hasn't been dramatic, they haven't been in for a rate
20 case for a long time. So it's a little bit troubling
21 to have them all of a sudden project this new huge
22 expense regime just in time for a rate case. But
23 even accepting their forecast as accurate, that
24 factor then would weigh in favor of a more aggressive
25 one because that's essentially the same factor as

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1 changes in their investment, the number three factor.

2 Number eight is incentives to efficient
3 management in operation. I think the evidence will
4 reflect, and if you think about it you realize what
5 that means, and Mr. Higgins testified to this. They
6 have an incentive to be efficient once you set rates
7 because they get to keep it all between rate cases.
8 The issue, the incentive that the Commission has
9 tried to send in the past with an historical test
10 period is to balance the savings that are there when
11 management does its job between the ratepayers and
12 the utility and not to give it all to the utility,
13 which is what happens if you project a massive
14 increase in cost and you build in inflation and then
15 guarantees it's there, or at least for ratepayers,
16 and then the incentive means that money goes only to
17 the utility and not back to its ratepayers.

18 And then the last factor is the length of
19 time the new rates will be in effect. I submit that
20 that's the neutral factor here and perhaps argues in
21 favor of a less aggressive test period. We don't
22 know how long it will be in effect. And I agree with
23 Commissioner Campbell's notion there, all you can
24 look at is when it starts because that's all we know
25 with any reliability. In fact, the 2008 test period

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1 lines up very well with when it starts. The utility
2 is then in control of when they need another rate
3 case.

4 What's missing, I would submit, Your
5 Honors, in the context of this whole case is an
6 appropriate balancing of the interests of ratepayers
7 and the utility. And it's disturbing to me as a
8 ratepayer advocate that we don't see an appropriate
9 balancing coming from the other parties. An
10 appropriate balance is not to go from the most
11 conservative to the most aggressive in one fell swoop
12 giving them a huge one time -- or I mean an ongoing
13 payment that will last indefinitely, it's rather take
14 all these factors into consideration.

15 We adopted what we think is a very fair
16 result. We could have easily argued for an
17 historical and known and measurable or mixed because
18 that's been the Commission's preference in the past.
19 We concluded, in light of everything, that we would
20 support a more reasonable compromise. We request
21 that Your Honors, that the Commission consider the
22 same thing; balance the interests of the ratepayers
23 here with the interest of the utility. And we
24 suggest that the right way to do that is with a 2008
25 test period which we think is more supported by the
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1 evidence than any other.

2 Thank you.

3 CHAIRMAN BOYER: Thank you, Mr. Dodge.

4 Mr. Evans?

5 MR. EVANS: Thank you, Mr. Chairman. I
6 appreciate the chance to participate today even
7 though we haven't brought a witness with us.

8 Having not officially taken a position
9 through a witness, I'm going to leave the remarks
10 pretty much alone today. I do agree with Mr. Dodge
11 that some balancing is necessary. I think the
12 Commission has to consider the allocation of risk
13 between shareholders and ratepayers and the
14 implications that a future test year has on that.

15 The Company has worked very hard to try to
16 eliminate its risks and thereby find certainty among
17 -- in its costs. And to some extent the ratepayers
18 have benefited by that. But at this -- when you
19 consider that the future cannot be predicted any
20 better by the Company than it can be by anybody else,
21 the ratepayers ought not to bear the burden of
22 carrying the Company through the regulatory lag
23 period, and that's what we're going to face if we
24 have future test year.

25 Second, I just want to point out that the

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1 Committee, and the Company to some extent, suggest
2 that not only can we adjust a future test year
3 backwards, but we can also adjust rates after they're
4 in place to make up for mistakes that we made in the
5 ratemaking process. I don't think that that can be
6 done under the current statute and so I don't think
7 the Commission should rely upon a procedure to come
8 in and periodically adjust rates depending upon
9 whether the Company is spending as they projected or
10 not or whether their costs are what they projected or
11 not. I think the only way to really do that, at
12 least from what I've heard today, is through another
13 rate case.

14 And so I would agree with Mr. Dodge. I
15 think that the more prudent course for the Commission
16 to take at this time is not to project the test
17 period so far in the future and go with the end of
18 '08 calendar year.

19 Thank you.

20 CHAIRMAN BOYER: Thank you, Mr. Evans.

21 Mr. Ball.

22 MR. BALL: Thank you, Chairman.

23 According to Section 54-4-4, the Company
24 has the burden of proof on two threshold issues. And
25 contrary to some of the things that have been said,

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1 the plain language of that section makes it clear
2 that there is a sequence to be followed by the
3 Commission in this process.

4 Subsection 1 begins by saying, "The
5 Commission shall take an action if the Commission
6 finds, after a hearing, that" -- and I'm not going to
7 read the whole thing to you, but it boils down to
8 rates are inadequate.

9 So the first step is the Commission needs
10 to find, after a hearing, that rates are inadequate.
11 It goes on in subsection 1(b) to say, "If the
12 Commission makes a finding described in subsection
13 1(a)," in other words, after the Commission finds
14 that rates are inadequate, "the Commission shall
15 determine just and reasonable rates going forward,"
16 to paraphrase.

17 3(a) says, "If in the Commission's
18 determination of just and reasonable rates the
19 Commission uses a test period, the Commission shall
20 select a test period that on the basis of evidence
21 the Commission finds best reflects the conditions,"
22 et cetera.

23 So there's a clear three-step process.
24 First of all, the Commission needs to be persuaded
25 that rates are inadequate. Secondly, it needs to
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1 make a start on the rate investigation. And in the
2 process of following that rate investigation, if it's
3 going to use a test period, it needs to be persuaded
4 which is the best test period.

5 The Company has the burden of proof on the
6 two threshold issues there. They are: Are rates
7 inadequate? No, they are not. The Company has not
8 met its burden of proof on that issue. And secondly,
9 has it established that the test period it seeks is
10 the best on the basis of the evidence it has offered.
11 And no, it hasn't, and here's why.

12 The Company has offered in testimony only
13 bald assertions that the '08-'09 test year is the
14 best. It's offered no evidence that it's even
15 examined any other period or that any comparison has
16 been made to establish that that test period is the
17 best.

18 The same is true of the Division and the
19 Committee. Mr. Monson attempted to shift the burden
20 of proof to me. That's inappropriate. I don't need
21 to recommend a test period. The Commission has a
22 statutory duty to establish whether or not rates are
23 inadequate, and only if they are to proceed with an
24 investigation.

25 The Commission has a statutory duty to
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1 establish on the basis of evidence the best rate
2 case. "Best" is a word in the category superlative.
3 There is nothing better than best. Best is the
4 Olympic champion of all test periods. It has beaten
5 all comers. That has not been demonstrated by anyone
6 on the record in this case.

7 Mr. Monson also had something to say about
8 what I had said. He misrepresented it,
9 unfortunately. I have never represented that the
10 Company couldn't file a rate case. That would fly
11 entirely in the face of his cross-examination with me
12 in which he demonstrated that in the CET case I asked
13 for a rate case. In that case the Company's argument
14 was I was not qualified to ask for a rate case. All
15 that I've asked for in this docket -- sorry. Neither
16 have I in any way attempted to deny that the
17 Commission ordered the Company to file. And I'm
18 grateful to Mr. Monson for pointing out to me today
19 that which I was not really aware of, but in fact the
20 Commission had issued that order. Thank you,
21 Commission.

22 But having said that, there is a
23 distinction between the Company filing a rate case
24 and the Commission finding that the Company's rates
25 are, not will be, inadequate.

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1 On the basis of the evidence in this
2 record, the Commission cannot reasonably find that
3 the Company's rates are currently inadequate. Nor
4 can the Commission find on the basis of the record so
5 far established that an '08-'09 test year is the best
6 possible test year.

7 I, therefore, recommend that the
8 Commission dismiss the rate application and it
9 doesn't then need to find on the test period. If the
10 Commission does not accept that first recommendation,
11 my second recommendation is that the Commission must
12 find that it's unable on the basis of the evidence
13 before it to select the best test year.

14 Thank you very much, gentlemen.

15 CHAIRMAN BOYER: Thank you, Mr. Ball.

16 Thank you all for your participation today
17 and that will conclude this hearing.

18 (The hearing was adjourned
19 at 12:38 p.m.)

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C E R T I F I C A T E

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STATE OF UTAH)
: ss.
COUNTY OF SALT LAKE)

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

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

That pages 1 through 156, contain a full, true and correct transcription of my stenotype notes so taken.

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

WITNESS MY HAND and official seal at Salt Lake City, Utah, this 29th day of April, 2008.

LANETTE SHINDURLING, RPR, CRR
Utah License No. 103865-7801