

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION
OF QUESTAR GAS COMPANY TO
INCREASE DISTRIBUTION NON-GAS
RATES AND CHARGES AND MAKE
TARIFF MODIFICATIONS

Docket No. 07-057-13

REBUTTAL TESTIMONY OF BRENT A. BAKKER

FOR QUESTAR GAS COMPANY

September 22, 2008

QGC Exhibit 9.0R

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Brent A. Bakker. My business address is 180 East First South, Salt Lake City, Utah.

Q. By whom and in what capacity are you employed?

A. I am employed by Questar Gas Company (Questar Gas or Company) as a Gas Acquisition Representative. Prior to becoming a Gas Acquisition Representative as of September 16, 2008, I was a Senior Regulatory Affairs Analyst for four years.

Q. Have you previously filed in this case?

A. Yes. I filed direct testimony in this case. It was filed as QGC Exhibit 9.0.

Q. Attached to your written rebuttal testimony is QGC Exhibit 9.1R. Was this prepared by you or under your direction?

A. Yes. QGC Exhibit 9.1R contains tariff sheets that replace corresponding tariff sheets originally filed as part of QGC Exhibit 9.5 on December 19, 2007.

Q. What is the purpose of your rebuttal testimony in this Docket?

A. I will address some of the positions discussed in direct testimony filed by Marlin Barrow on behalf of the Division of Public Utilities (DPU); Eric Orton on behalf of the Committee of Consumer Services (CCS); and Charles E. Johnson on behalf of AARP, Salt Lake Community Action Program and Crossroads Urban Center (SLCAP/AARP). Specifically, I will address the following issues identified in QGC Exhibit 7.1R: Issue No. 27, residential security deposits; Issue No. 28, after-hours reconnection fee; and Issue No. 32, tariff filings. Additionally, I will address Mr. Orton's proposed changes to the section 7.02 of the Company's Utah Natural Gas Tariff PSCU 400 (Tariff). I will also address changes and corrections to some of the proposed Tariff sheets provided in QGC Exhibit 9.5.

II. RESIDENTIAL SECURITY DEPOSITS (Issue No. 27)

Q. The DPU has raised concerns with the Company's proposed security deposit policy to increase the deposit amount to two times the highest monthly bill for those

29 **customers who have demonstrated poor credit. Please address your concerns with**
30 **DPU positions advanced by Marlin Barrow.**

31 A. First, I would like to clarify a misunderstanding. As stated in Mr. Barrow's direct
32 testimony (p. 21, lines 340 – 343), he believes the Company is proposing to reduce the
33 dollar amount that triggers a collection process, as well as to reduce the number of days
34 in arrears that triggers a collection process. These changes have in fact already been
35 made and are included in my overview of the Company's efforts to manage its residential
36 uncollectible accounts (see my direct testimony, lines 20 – 44).

37 The DPU believes it would be discriminatory to require a security deposit equal to one
38 times the highest bill from customers who have not established credit history with the
39 Company versus requiring a security deposit equal to two times the highest bill from a
40 customer who has demonstrated poor credit with the Company. The Company believes
41 that because each category of customer (i.e. a new customer versus a customer with poor
42 credit) is different, the policy is not discriminatory. All new customers will be treated the
43 same. All customers with poor credit will be treated the same.

44 **Q. Dr. Johnson, on behalf of SLCAP/AARP, has argued that all proposed security**
45 **deposit changes should be rejected. Please express your concerns with the position**
46 **advanced by Dr. Johnson.**

47 A. Dr. Johnson suggests, without any factual support, that the proposed security deposit
48 provisions will have no effect on future uncollectibles or write-offs. It defies logic to
49 suggest that the proposed provisions would not reduce uncollectibles, particularly when
50 considered on an individual account basis. Dr. Johnson also suggests, without any basis
51 or factual support, that the Company's efforts to reduce uncollectibles is ineffective. The
52 Company has made substantial efforts as described in my direct testimony to minimize
53 this problem. Dr. Johnson's argument to the contrary ignores not only this fact, but the
54 fact that, on a case-by-case basis, security deposits do reduce uncollectibles. The issue
55 before the Commission is from whom a security deposit should be collected and how
56 much should that security deposit be. If no change is made to the security deposit
57 provisions, then all other paying customers will be required to pay for this uncollected

58 expense. The Company's proposal collects deposits directly from those customers who
59 are causing the cost.

60 Dr. Johnson argues that for each low-income customer who cannot pay the additional
61 security deposit and occupies a residence without taking service (presumably for at least
62 a year), there is an annual loss of at least \$215 in fixed cost recovery that must be made
63 up by other customers (p. 29, lines 12 – 15). Dr. Johnson also argues that the Company
64 and its customers would be better off retaining those customers who can pay some of the
65 costs of their service, so long as their payments exceed the cost of gas (p. 30, lines 4 - 6).
66 However, in order to be able to cover the costs associated with the commodity portion of
67 the bill as well as some incremental portion, as Dr. Johnson suggests, a customer needs to
68 pay an amount *more than* 72% of the bill. (Commodity costs are currently 72% of the
69 total bill.) Under the current security deposit policy (one times the amount of the highest
70 bill), the amount of the deposit generally equals approximately 41% of the average poor
71 credit write off, not nearly enough to cover the minimum necessary to reach the
72 incremental portion of the bill. Therefore, if the security deposit policy is changed such
73 that poor credit customers must pay two times the highest monthly amount, it will likely
74 cover approximately 82% of the outstanding bill. The proposed security deposit would
75 be more in line with SLCAP/AARP's position that customers should be retained so long
76 as they can pay for the cost of gas and some incremental portion of fixed costs.

77 **Q. Would you like to add anything further regarding security deposits?**

78 A. Yes. It is evident that the dollar amount of security deposits the Company is currently
79 allowed to collect is arbitrary and inadequate in direct relation to the potential risk of
80 losses from new and poor credit customers. Security deposit policies are a key driver in
81 determining how much of the risk of uncollectibles from a relatively small group of
82 customers will be borne by the larger group of all other customers. Approving the
83 proposed changes takes an important step in the direction of more fully mitigating these
84 potential risks.

85 **III. AFTER-HOURS RECONNECTION FEE (Issue No. 28)**

86 **Q. The DPU has proposed that the after-hours reconnection fee be \$150 rather than**
87 **\$100. The DPU also suggests adding language to the Tariff clarifying what hours**
88 **constitute an after-hours connection, and the DPU would like the Company to**
89 **explain how much notice customers need to provide before a request for an after-**
90 **hours reconnection fee is considered. Please address these issues.**

91 A. The Company accepts the DPU’s recommendation that the fee be set at \$150. For service
92 calls, normal business hours are Monday through Friday from 7:30 a.m. to 4:00 p.m.,
93 excluding Company holidays. After hours would be those hours outside this timeframe.
94 The Company has added proposed language to the Tariff to clarify these points. This
95 additional language is found in QGC Exhibit 9.1R. Provided that after-hours and on-call
96 staff are available (staff may be unavailable due to emergency calls, e.g. gas leaks), a
97 customer should be able to have service reconnected before the start of the next normal
98 business day. The Company reasonably expects to have reconnections completed within
99 a 24-hour period from when the reconnection request is scheduled. If a customer
100 requests after-hours reconnection but the Company reconnects service during normal
101 business hours, the standard connection fee will apply.

102 **Q. SLCAP/AARP argues that a charge should not be implemented and that, if it is**
103 **implemented, the fee should not be charged when health and safety issues**
104 **necessitate an after-hours reconnection. Please address the issues raised by**
105 **SLCAP/AARP.**

106 A. The Company is always concerned about the health and safety of its customers and does
107 not believe this policy would change its current policies regarding protecting the health
108 and safety of its customers. For those customers who require that their service be
109 reconnected, the Company will follow its current policies regarding reconnecting
110 customers during normal business hours. For those customers who would like service
111 connected after hours, this fee ensures that the customer receiving the service will pay the
112 cost of that service and that those costs will not be borne by all customers.

113 The Company has a similar commission-approved charge in its Wyoming service area
114 that is working well for customers who request after-hours connection.

115 **IV. LIABILITY AND LEGAL REMEDIES**

116 **Q. The CCS makes a recommendation to delete section 7.02, Liability and Legal**
117 **Remedies, from the Tariff. Please address your concerns as they relate to this issue.**

118 A. Mr. Orton testified that section 7.02 of the Tariff should be eliminated. I disagree. The
119 Tariff properly places that risk upon the person who bears the responsibility for ensuring
120 the safety of natural gas appliances and equipment. The referenced portion of section
121 7.02 ensures that customers are responsible for the facilities they own and maintain. The
122 Company cannot be held responsible for equipment that it does not own, has not
123 installed, and does not have the right or obligation to maintain.

124 This provision is not new to the Company's Tariff. The language in section 7.02 that Mr.
125 Orton references in his testimony (April 21, 2008, lines 272 – 277) has existed in the
126 Company's tariff for over 30 years.

127 **V. TARIFF FILINGS (Issue No. 32)**

128 **Q. The DPU recommends, first, that the subcomponents (i.e. base rate and**
129 **amortization rate components) be itemized in the Tariff, and second, that additional**
130 **information is included in applications which seek to adjust rates. Please address**
131 **the DPU's recommendations.**

132 A. The Company agrees with these recommendations. QGC Exhibit 9.1R reflects the
133 DPU's request to itemize rate subcomponents. Additionally, the Company can provide
134 the requested information when making future Tariff filings or when filing applications to
135 adjust rates.

136 **VI. TARIFF CORRECTIONS AND MODIFICATIONS (Issue No. 32)**

137 **Q. What Tariff corrections and modifications, other than those previously mentioned**
138 **in your rebuttal testimony, are being proposed by the Company?**

139 A. I am proposing three Tariff corrections and modifications to the Tariff sheets originally
140 filed December 19, 2007. First, in listing the Company's proposed weather zones in
141 section 2.08 (proposed in this docket to become section 2.07), I incorrectly identified an
142 Ogden weather zone. The proposed Tariff should reflect a Park City weather zone, not
143 Ogden. This correction is reflected in QGC Exhibit 9.1R. QGC Exhibits 9.3 and 9.4,
144 filed December 19, 2007, correctly identified the Company's proposed weather zones.

145 Second, the originally filed TSE rate schedule incorrectly reflected the first and second
146 volumetric rate blocks as 20,000 Dth and 80,000 Dth, respectively. The first block
147 should have been identified as 875 Dth. The second block should have been identified as
148 99,125 Dth. These corrections are reflected in QGC Exhibit 9.1R.

149 Third, the Company proposed (see Steven R. Bateson's direct testimony, filed December
150 19, 2007) to assign specific Basic Service Fee (BSF) categories to meters requiring the
151 following pressures: 1) full intermediate high pressure (IHP) line pressure—a BSF
152 category 4; and 2) high pressure—a BSF category 5. These proposed Tariff
153 modifications, not originally reflected in QGC Exhibit 9.5, are now reflected in Exhibit
154 9.1R.

155 **Q. Does this conclude your testimony?**

156 A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Brent A. Bakker, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

Brent A. Bakker

SUBSCRIBED AND SWORN TO this 22nd day of September 2008.

Notary Public