

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application )  
of Questar Gas Company to ) Docket No.  
Increase Distribution Non-Gas ) 07-057-13  
Costs, Rates, and Charges, and )  
Make Tariff Modifications )

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TRANSCRIPT OF HEARING PROCEEDINGS

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TAKEN AT: Public Service Commission  
160 East 300 South, Room 403  
Salt Lake City, Utah

DATE: 15 October 2008

TIME: 9:00 a.m. to 4:30 p.m.

REPORTED BY: Debra A. Dibble; CSR, RPR

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AARP Ex. 1	AARP Data Request # 2.01 6/4/08 Response.	152	155
QGC Cross 1	Comparison of Peak Day Factor.	223	238
QGC Cross 2	6/17/04 Task Force Report.	352	352
Commission 1	Questar Gas Proposed NGV Rates.	407	408
QGC Cross 3	Oakridge National Lab Web Site.	431	439
AARP-5	Corrected Direct Test- imony of Charles E. Johnson, page 4.	464	467
AARP-6	Corrected Residential BSF Revenue	464	467

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REPORTERS CERTIFICATE:

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P R O C E E D I N G S

COMMISSIONER BOYER: Well, let's go back on the record then. We're back on the record in Docket 07-057-13, In the Matter of the Application of Questar Gas Company to Increase Distribution Non -- gas Costs, Rates, and Charges, and Make Tariff Modifications.

And we left off last evening with the Division's first witness, Mr. Gregory. And we'll finish with Mr. Barrow.

We've decided off the record that following the Division's case we'll hear from the Commission of Consumer Services, and then we'll move to the UAE Intervention Group, then to AARP, and then to Mr. Ball, and we'll see if anyone else wishes to speak.

And we should be finished by noon today. I'm kidding. But one can hope.

So with that, Ms. Schmid?

MS. SCHMID: Thank you very much. The Division would like to call to the stand Mr. Marlin Barrow.

I have a vague recollection that Mr. Barrow may have been sworn in the revenue requirement portion. That was a long time ago and I don't recall.

Do you recall, Mr. Barrow?

THE WITNESS: I don't care a lot, but I



1 swear a lot, so I can swear again.

2 CHAIRMAN BOYER: Mr. Barrow lives in my  
3 neighborhood. I think I've heard you swear.

4 THE WITNESS: Yes.

5 CHAIRMAN BOYER: Raise your right hand.

6 MARLIN H. BARROW,  
7 having first been duly sworn, was examined and testified  
8 as follows:

9 CHAIRMAN BOYER: Please be seated.

10 DIRECT EXAMINATION

11 BY MS. SCHMID:

12 Q. Good morning.

13 A. Good morning.

14 Q. Could you please state your full name for  
15 the record?

16 A. Yes. It's Marlin H. Barrow.

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

19 A. I'm employed by the Division of Public  
20 Utilities as a technical consultant.

21 Q. Your business address, please?

22 A. 160 East 300 South; Salt Lake City, Utah.

23 Q. Have you been involved on behalf of the  
24 Division of Public Utilities in this docket?

25 A. Yes, I have.





1 Q. Could you please briefly, in a few  
2 sentences, describe your involvement?

3 A. Well, I have been the primary witness for  
4 the Division in the Questar rate case, as well as the  
5 cost of service phase.

6 Q. Did you prepare and pre-file exhibits marked  
7 as DPU Exhibit No. 6.0, with its accompanying exhibits  
8 6.1 through 6.7; your direct testimony, DPU Exhibit No.  
9 6.0R, your pre-filed rebuttal testimony in this case,  
10 with accompanying Exhibits 6.1 and 6.2, and finally,  
11 DPU Exhibit No. 6.0SR, with its accompanying exhibits,  
12 6.1SR and 6.2SR?

13 A. Yes. For the record, I think those rebuttal  
14 exhibits were 6.1 R and 6.2 R.

15 Q. You are correct. I apologize.

16 It's always good to have a good witness.

17 If you were asked the same questions today,  
18 would your answers be the same?

19 A. Yes.

20 Q. With that, the Division would like to move  
21 for the admission of Exhibit No. 6.0, with Exhibits 6.1  
22 through 6.7; 6.0R with Exhibit 6.1R and 6.2R; Exhibit  
23 No. 6.0SR, with its exhibits 6.1SR and 6.2SR.

24 CHAIRMAN BOYER: Thank you, Ms. Schmid. Are  
25 there objections to the admission of Mr. Barrow's



1 direct rebuttal and surrebuttal testimony together with  
2 exhibits?

3 MR. PROCTOR: No objection.

4 CHAIRMAN BOYER: Seeing none, they are  
5 admitted into evidence.

6 (Whereupon, Exhibits 6.0, 6.0R,  
7 and 6.0SR with exhibits  
8 were received.)

9 Q. (BY MS. SCHMID) Mr. Barrow, do you have a  
10 brief summary you would like to present this morning?

11 A. Yes. And I do hope it's brief.

12 In the cost of service phase of this rate  
13 case, the Division filed direct, rebuttal, and  
14 surrebuttal testimony.

15 The testimony included testimony from  
16 Mr. Glen Gregory, the Division's expert witness on cost  
17 of service, as well as my testimony as the Division's  
18 policy witness.

19 In testimony, the Division supported the  
20 Company's recommended changes and revisions to the  
21 current rate schedules which included splitting the  
22 current GS-1 rate class into separate residential and  
23 commercial classes based on state-mandated sales tax  
24 rate codes, as well as most of the recommended tariff  
25 changes.



1           The Division also supported further  
2 development of the newly created commercial GSC rate  
3 class through a task force to determine the best way to  
4 refine the allocation of the GSC rate class.

5           The Division did have some differences of  
6 opinion on the exclusion of some of the rate schedules,  
7 such as the FT-1 rate class from the cost of service  
8 study which has already been mentioned, as well as  
9 allocation factor used by the company as addressed by  
10 Mr. Gregory's testimony.

11           The Division also was opposed to the  
12 Company's recommendation to increase the basic service  
13 fees; not because of the cost analysis used by the  
14 company, but due to the timing on the ongoing -- with  
15 the ongoing Conservation Enabling Tariff or CET pilot  
16 program. The Division feels the proper time to  
17 consider changes to the basic service fee is in  
18 conjunction with consideration to the permanency of the  
19 current CET program, or whether other rated coupling  
20 mechanisms should be implemented, or whether a full or  
21 partial decoupling method is chose, and what role will  
22 the Company play to continue efforts to promote  
23 conservation of natural gas usage.

24           The Division anticipates that discussion  
25 will begin in the next rate case filed by the Company.



1           The Division also objected to the doubling  
2 of the security deposit for customers with poor credit  
3 history, because it seems to compound a problem that  
4 currently exists for customers who are already  
5 financially strained, as well as discriminatory,  
6 because new customers with no credit history, who may  
7 be in similar circumstances, are only required to pay a  
8 deposit equal to one times.

9           The Division made some additional  
10 recommendations which were not part of the Company's  
11 recommendations. These additional recommendations  
12 included:

13           Refinance the extension area charges, or EAC  
14 communities, using a six percent interest rate, and,  
15 because there still remains one community that may  
16 never be able to pay-off, establish the original  
17 pay-off date as the latest date the EAC communities  
18 will pay that charge.

19           The Division also suggested that a six  
20 percent rate be used for future extension charge  
21 calculations with the provision that future expansion  
22 areas will need to provide their own financing in order  
23 to make the required monthly charges reasonable under a  
24 six percent finance rate.

25           This has been supported by the Company.





1                   Number two, the Division's recommended  
2 eliminating the GSS, IS-4, and TS rate schedules, and  
3 roll all of those customers into their respective  
4 proposed GSR, GSC, IS, and TS rate schedules. The  
5 current practice of implementing the GSS rates does not  
6 begin to follow the rate assumptions used to establish  
7 the current 20-year time period.

8                   The Division presented an exhibit that  
9 showed if a six percent rate were chosen as a target  
10 rate of return, a 10- to 12-year pay-off date could  
11 have been established. At best, the original 1992 GS-1  
12 rate of \$1.70 per decatherm, which was doubled to  
13 establish the \$3.41 decatherm constant rate used to  
14 establish a 20-year timeframe, should have been held  
15 constant and added to the revised GS-1 rates that have  
16 occurred because of the changes to the GS-1 base rate,  
17 but that has not been the case in the actual  
18 implementation of the GSS rates.

19                   On a going forward basis, the Division  
20 cannot support the continuation of the GSS, IS-4, and  
21 TS rates as just and reasonable.

22                   Number three, in the spirit of gradualism,  
23 begin moving the current NGV rate to a full cost of  
24 service rate by going 50 percent of the way in this  
25 rate case, and 100 percent of the way in the next rate



1 case.

2 Number four, charge \$150 after-hour  
3 connection fee instead of the Company's proposed \$100  
4 fee.

5 This is a new service and the Company  
6 presented evidence that \$150 is closer to the actual  
7 cost of service.

8 The Company has agreed to do this.

9 And number five, provide in-tariff fines as  
10 well as tariffs, details showing the subcomponents of  
11 the DNG, SNG, and commodity rates of natural gas  
12 service.

13 The Company has also agreed to do this.

14 The issue of splitting the GS-1 rate class  
15 into separate residential and commercial classes is  
16 supported by all parties in concept, but parties have  
17 differences of opinion on method as well as timing.

18 The Division supports the Company's  
19 recommendation to use sales tax codes, because it does  
20 delineate whether a customer is a residential customer  
21 or not.

22 The Company currently uses this source of  
23 information to provide statistical volumetric  
24 information to national reporting agencies.

25 The Division rejects the notion that



1 customers are confused as to whether they are  
2 requesting service for residential use or commercial  
3 use.

4 The Division also supports a flat rate for  
5 the newly recreated GSR or residential class as this  
6 type of rate is best for promoting conservation and  
7 energy efficiency.

8 As shown in DPU Exhibit 6.2R, on average,  
9 during the calendar year 2007, 98 percent of the  
10 current residential customers had a flat rate because  
11 they never exceeded 45 decatherms a month.

12 However, for the newly created GSC or  
13 commercial class, the Division supports the initial use  
14 of declining block rates in order to avoid unintended  
15 economic consequences on this class.

16 Using the same information just cited, for  
17 the residential class shows a 60 percent -- 62 percent  
18 of the commercial customers never exceeded 45  
19 decatherms per month.

20 The Division believes that the Company's  
21 rate design for small commercial customers, who's usage  
22 may more closely resemble that of a typical residential  
23 customer, protects those small commercial customers, as  
24 they will pay the same rate as the residential  
25 customer.



1           After further study of this broader  
2 commercial class, additional rate design refinements  
3 can be made to further promote efficiency and  
4 conversation -- or conservation, without causing any  
5 unintended economic consequences.

6           Thank you.

7           Q.   One more question, Mr. Barrow.

8                   Is it true that the Division has intended  
9 that you, rather than Mr. Gregory, be the Division's  
10 policy witness in this case?

11          A.   Yes.

12           MS. SCHMID: Thank you. Mr. Barrow is now  
13 available for questioning.

14           CHAIRMAN BOYER: Thank you, Ms. Schmid.

15                   Let's begin with the Company, and then go to  
16 Mr. Proctor so that I don't forget him --

17           MR. PROCTOR: Thank you.

18           CHAIRMAN BOYER: -- sitting over in the  
19 right corner. And then we'll move over to Mr. Gardner,  
20 Mr. Dodge, and Mr. Ball, in that order.

21                   Mr. Monson?

22           MR. MONSON: Yes.

23                   CROSS EXAMINATION

24           BY MR. MONSON:

25                   Q.   Mr. Barrow, you disagree with Questar Gas's





1 proposal to modify and increase the basic service fee.

2 Right?

3 A. At this time, yes.

4 My disagreement is not with the method but  
5 with the timing.

6 Q. Okay. And that's because the CET pilot  
7 program is in effect. Right?

8 A. That is correct.

9 Q. Would you agree with me that nowhere in the  
10 CET order, the order approving the CET, does it  
11 prohibit changes to the basic service fee?

12 A. No, it doesn't prohibit changes, but this is  
13 a pilot program, and as a pilot program we'd rather not  
14 see any changes made.

15 Q. Okay. But you're recommending a change to  
16 the volumetric program that would be included in the  
17 CET, aren't you? In this case?

18 A. To the volumetric component?

19 Q. Of the DNG rate.

20 A. Well, volumetrics will always change with  
21 any revised forecast that comes out, but the  
22 methodology is still the same as far as calculation.

23 Q. Okay.

24 But the CET covers the -- the DNG rate,  
25 which includes both the basic service fee and the



1 volumetric component. Is that right?

2 A. Yes.

3 Q. So -- but you're saying the change in the  
4 volumetric component that the Division is proposing  
5 doesn't cause any problem during the CET pilot program?

6 A. Well, not in the initial rate design,  
7 because the -- you know, you keep the basic service  
8 fees the same, and you just make the adjustment in the  
9 volumetric component.

10 Q. If we raise the basic service fee, and as a  
11 result decrease the volumetric charges or increase them  
12 by a lesser amount, the CET would still recover the  
13 same two charges. Would still cover the same two  
14 charges. Right? The sum of the same two charges?

15 A. In theory, yes. But in my analysis, it  
16 looked like the biggest effect of the CET component, or  
17 the basic service fee change, was going to affect the  
18 residential customers who had meter categories, I  
19 think, of 250 cubic feet per hour. That's where the  
20 whole change is, and that's where all of the  
21 residential customers basically reside. I just don't  
22 think it's wise to start changing that program right  
23 now.

24 Q. But if you -- if you increased their basic  
25 service fee, then you're going to decrease their



1 volumetric component, because you get the same total  
2 revenue. Right?

3 A. Right. But the Division feels that the best  
4 time to discuss that philosophy is in the next rate  
5 case, when the determination of whether to continue  
6 with a decoupling mechanism would be decided. There's  
7 some people who can argue strongly that if you have a  
8 decoupling mechanism, there is no basic fees at all.  
9 That you should put the full responsibility on the --  
10 on the volumetric rate in order to truly -- truly make  
11 conservation a primary factor.

12 And I think the Division feels that that's  
13 best held off until the next rate case, when the  
14 Company has to decide whether to make the CET or some  
15 other type of decoupling mechanism a permanent request  
16 or not, rather than change it now.

17 Q. Do you agree that if you eliminate the basic  
18 service fee and put the total DNG cost onto the  
19 volumetric component, that you are essentially  
20 increasing rates for larger users, and decreasing rates  
21 for smaller users?

22 Decreasing total charges, I should say.

23 A. Rates or charges?

24 Q. Charges. Their bill.

25 You're going to decrease the bill for



1 smaller users and increase it for larger users. Isn't  
2 that right? If it's all based on volumetrics?

3 A. Well, yes.

4 If that's -- if that's the intention of the  
5 design to do that, at the time, in order to promote  
6 conservation, then that would probably happen, yes.  
7 The large volume users will be -- will pay more, and  
8 the small volume users will pay less.

9 But that's -- that's the case with anything,  
10 as it is with the gas cost, because we've got to  
11 remember that only about 25 percent, anywhere from 20  
12 to 30 percent of a person's total cost is affected by  
13 the DNG rate. The other 70 percent is a true cost of  
14 gas. And that's where they really get their true  
15 savings.

16 Q. Okay.

17 You've also -- you've also objected to the  
18 Company's proposal to raise the basic service fee for  
19 other classes of customers. Is that right?

20 A. Well, yes. Simply as a practical matter of  
21 administration, if you currently change the other  
22 categories and allow it to go through, you're going to  
23 have a mixed-meter classification amongst the classes.

24 And for just simplification purposes, the  
25 Division recommends keeping the basic service fees the





1 same right now, in this rate case. In the next rate  
2 case, that's the time to consider those changes.

3 Q. Okay. And you were concerned because there  
4 was no consolidation of classes. Right? That that  
5 would -- that that might create some problem with  
6 changing the basic service fee now.

7 A. Well, not so much with the direct  
8 consolidation. I realize there are some classes that  
9 do not have a CET mechanism. And the reality, you  
10 know, it might make more sense to, you know, let them  
11 have the higher fixed charge, but you're going to have  
12 a mixed meter category if you allow those other  
13 transportation and large firm customers, have their  
14 basic service fees increased on the way the Company  
15 proposed it, and yet hold the GS-1 class as is. You're  
16 going to have a mixed category of -- of meters, and I  
17 think it just adds to the confusion.

18 Therefore the Division recommended that no  
19 changes be made at this time.

20 Q. Okay. But no -- none of the customers in  
21 the other classes are here objecting to the -- to the  
22 proposed increase in the basic service fee, are they?

23 A. They are not.

24 Q. Their classes?

25 A. They are not objecting.



1 Q. Okay.

2 Do you agree that a fundamental principal of  
3 rate-making is customers should pay the cost of  
4 providing service to them?

5 A. Yes. And that's where we get into that  
6 debate of cost causation versus conservation. And I  
7 still think the best time to hold that discussion is in  
8 the next rate case, when we look at a permanent  
9 decoupling mechanism. There's varying opinions on  
10 that.

11 Q. Okay. You participated in the cost of  
12 service and rate design task force that was -- was  
13 established by the Commission in the last Questar Gas  
14 rate case. Right?

15 A. Yes, I did.

16 Q. And you may remember this. If you don't,  
17 I'll be happy to show you the report.

18 But you were actually the person who kept  
19 the minutes for that -- those meetings. Right?

20 A. Yes, I did.

21 Q. And my understanding, you're also the bottom  
22 name on the "from" part of the report. My  
23 understanding is that means you're probably the person  
24 who really wrote the report, and those above you  
25 probably just reviewed it. Is that fair?



1 A. That's correct.

2 Q. Okay.

3 Do you recall, in discussing the basic  
4 service fee in the report to the Commission, what --  
5 what the report said?

6 A. Not off the top of my head, but if you want  
7 to refresh my memory I'll be glad to have it refreshed.

8 Q. Okay.

9 This is item five in the report. And it  
10 says, QGC printed information suggesting that the  
11 national average for the basic service fee is around \$8  
12 per month.

13 There was general consensus that GCG's  
14 current basic rate fee of \$5 per month for GS-1  
15 customers with a GS-1 meter is below cost of service.  
16 There was no consensus of what this fee should be.

17 Does that refresh your recollection?

18 MS. SCHMID: Mr. Monson, could you please  
19 show me that, and then also give the witness a copy of  
20 that so he can have that in front of him?

21 MR. MONSON: Sure. Be glad to do that.

22 MS. SCHMID: And could I ask just a couple  
23 of rather foundational questions?

24 I don't know if this is the appropriate  
25 moment, but I've noticed that this memorandum is not



1 signed as is typical when it is filed, and I'd just  
2 like to ask a couple of questions about the source of  
3 it.

4 Although I -- I do not, honestly, question  
5 Mr. Monson's integrity, but I'd just like to have it on  
6 the record that it's a true and accurate copy.

7 CHAIRMAN BOYER: I think Mr. Barrows has  
8 already admitted that he wrote it.

9 MS. SCHMID: But is this the exact copy that  
10 he wrote.

11 CHAIRMAN BOYER: Fine. Go ahead.

12 MS. SCHMID: Mr. Monson, where did you  
13 obtain this copy?

14 MR. MONSON: The Company gave it to me.

15 Why don't we ask Mr. Barrow if this appears  
16 to be an accurate copy of the report.

17 THE WITNESS: It appears to be an accurate  
18 copy.

19 MS. SCHMID: Good enough. Thank you.

20 Q. (BY MR. MONSON) And did you see where I was  
21 reading, Mr. Barrow? The pages aren't numbered, but  
22 it's the fourth page. Paragraph five?

23 A. Yes.

24 Yes. I -- I don't trust that you misread  
25 the report.





1 Q. Okay.

2 And so -- so there was apparently a  
3 consensus of the -- of the task force that the basic  
4 service fee was below cost of service. Is that right?  
5 On the -- for the GS-1 customers with a Category 1  
6 meter?

7 A. Yes.

8 Q. Okay.

9 So if -- if those customers' basic service  
10 fee is below cost of service, then the volumetric  
11 portion of the DNG rate is above the cost of service.  
12 Is that right? If you assume that -- if you assume  
13 that this class is paying its cost of service.

14 A. Yes.

15 Q. Okay.

16 So a customer who uses higher volumes of gas  
17 is subsidizing service to a customer who uses lower  
18 volumes of gas.

19 A. Yes.

20 Q. Okay. Now, let's just go through an  
21 example.

22 Let's assume you have two customers who live  
23 next door to each other, in identical homes, that were  
24 built at the same time, on identical lots.

25 Is it reasonable to assume that the customer



1 cost of serving these two customers would be the same?

2 MS. SCHMID: I'm going to object on  
3 relevance. I think that the world has changed. This  
4 memorandum was written and filed in 2004, before the  
5 CET was in place, and the case currently before the  
6 Commission involves the new world, where Questar has a  
7 CET. So I'm wondering if this line of questions is  
8 relevant.

9 CHAIRMAN BOYER: Well, let's hear what  
10 Mr. Barrow has to say, and you'll have an opportunity  
11 for redirect.

12 MS. SCHMID: Thank you.

13 CHAIRMAN BOYER: If you want to clarify.

14 THE WITNESS: Well, yes. It's reasonable to  
15 assume that their cost of service would be the same.

16 Q. (BY MR. MONSON) And that their customer  
17 costs, the cost the Company incurs in providing service  
18 to them should be the same. What we call the customer  
19 costs?

20 A. Yes.

21 Q. Let's assume that one of these customers is  
22 a wealthy retired couple, who also owns a home in  
23 Palm Springs, where they go every winter.

24 And that when they leave, they turn the  
25 thermostat down to a level that will keep the pipes



1 from freezing, but that they don't use very much gas in  
2 the winter. Is that a fair assumption?

3 A. That's a fair assumption.

4 Q. Let's assume that the other home is owned by  
5 a young family with six children, that's struggling to  
6 get by in these difficult economic times.

7 Their home, during the winter -- and  
8 although they try to conserve gas, they use much more  
9 than the older couple. Does that make sense?

10 A. Yes.

11 Q. That the older couple isn't even there.

12 A. Yes.

13 Q. By leaving the basic service fee at its  
14 current level, at a level below cost of service, the  
15 young family, the poor family, ends up subsidizing the  
16 retired couple. Is that right?

17 A. Yes.

18 Q. Do you believe that's fair?

19 A. That may not be fair, but it's the way it  
20 is.

21 MR. MONSON: Thank you. That's all I have.

22 CHAIRMAN BOYER: Thank you, Mr. Monson.

23 Mr. Proctor.

24 MR. PROCTOR: Yes, thank you, Mr. Chairman.

25 \* \* \*



1 CROSS EXAMINATION

2 BY MR. PROCTOR:

3 Q. Mr. Barrow, under the current class --  
4 classification of customers, you have a very large  
5 class of commercial and residential customers. Is that  
6 correct? It's the GS class.

7 A. Yes. Uh-huh.

8 Q. Do you have any idea of the percentage of  
9 total Questar customers that are made up -- or that are  
10 in the GS-1 class?

11 A. Oh, not that I've actually calculated, but I  
12 dare say it's probably well into the 90 percent.

13 Q. Right.

14 And because this very large class contains a  
15 number of different types of customers, those that are  
16 commercial or indigenous and those that are  
17 residential, in order to satisfy the requirements of  
18 the state sales tax law, the Company has to ask whether  
19 or not a customer, under the present system, is either  
20 a residential customer or a commercial customer. Is  
21 that correct?

22 A. I believe that's correct.

23 Q. And thus, in order to satisfy Questar's  
24 obligation, also under state sales tax law, to properly  
25 collect the correct amount of sales tax on the total





1 sale that they are making for commodity to that  
2 particular customer. Correct?

3 A. Yes.

4 Q. Now, in -- in evaluating the proposal to  
5 split the GS class into a residential and commercial  
6 part, did you inquire into exactly how it is that the  
7 sales tax law defines residential, commercial, and  
8 industrial customers?

9 MS. SCHMID: Objection. To the extent that  
10 you're asking for a legal opinion, I would object. To  
11 the extent you're asking if a lay witness should  
12 inquire about the law, I don't think that is proper  
13 either.

14 MR. PROCTOR: I asked him if he did. If he  
15 did, he can say yes, and if he didn't, he can say no.  
16 That's not an objectionable question. It's an entirely  
17 appropriate question.

18 CHAIRMAN BOYER: Well, let's see if  
19 Mr. Barrow knows.

20 THE WITNESS: No, I did not inquire.

21 MR. PROCTOR: Okay.

22 Q. (BY MR. PROCTOR) Now, in the event that you  
23 are separating in a -- classes of customers into a  
24 residential and a commercial class, and as a --

25 Just to take a moment, is it -- is my



1 understanding correct that the Division, in fact,  
2 believes that the class separation ought to be an  
3 ongoing process where, for example, you'll be looking  
4 at a small commercial and a large commercial class?

5 A. Well, the Division right now supports the  
6 recommendation to form a task force to further develop  
7 the commercial -- the GS commercial class. Look at  
8 those volumes. I mean, in reality there, as I  
9 understand it, the commercial class is also identified  
10 by SIC codes. There's numerous ways you could take  
11 that commercial class and you could analyze individual  
12 SIC codes. Group them that way. There's all kinds of  
13 ways.

14 Q. Important consideration is is that we're  
15 taking residential use out of the picture, and then  
16 further refining what that commercial class is?

17 And you use the term volumes there.

18 A. Mm-hmm.

19 Q. And that -- and by that, you mean the  
20 differing volumes of gas consumed by customers in the  
21 commercial class that is over a wide range.

22 A. That's correct.

23 Q. That's the way you used that term --

24 A. Yes.

25 Q. -- volume.



1 All right.

2 In the event that this Commission decides to  
3 separate out the residential from the commercial class,  
4 for the purpose of establishing the rates and other  
5 perhaps service issues, at that point in time, will not  
6 the particular customer's class be apparent to the  
7 Company on its books? And so they don't have to even  
8 ask that customer, are you a residence or are you a  
9 business? For the purpose of charging the correct  
10 sales tax code? Or sales tax rate?

11 A. I'm not sure I understand the --

12 Q. Well, once this Commission splits the GS-1  
13 and -- into residential and commercial, on the books,  
14 each customer will have a notation, and the customer  
15 service representative won't even have to ask about,  
16 Are you a residence or are you a business, because it's  
17 going to be right there. Isn't that true?

18 A. Well, no. The way they will be separated  
19 out is by that tax code.

20 Q. That's what I want to get to. But they're  
21 separated out, by customer, and that's the record  
22 that's on with the Company, or the -- with Questar.

23 So when a new customer signs up, that  
24 residence, for example -- because my understanding is  
25 they could track these things in the basis of meter



1 numbers.

2           They don't have to ask that new customer,  
3 Are you a residence or are you a business, because they  
4 have it there, right there, on their books, as to that  
5 meter is a residence. Correct?

6           MS. SCHMID: And I would object. I think  
7 that this line of questioning would be more appropriate  
8 for a Questar witness, because it pertains to what will  
9 happen in the future in the Questar books. And not  
10 only that, it is rather speculative at this point.

11           MR. PROCTOR: If I may, Mr. Chairman,  
12 speaking objections, which can be any number of things,  
13 delay, coaching the witness, or just interfering with  
14 direct -- with cross-examination, are inappropriate.  
15 And that's a speaking objection.

16           Particularly when counsel addresses me, not  
17 you. And not --

18           MS. SCHMID: Counsel apologizes for that.

19           MR. PROCTOR: Say objection and state the  
20 grounds based on rules of evidence. That's the way  
21 it's supposed to be. Unless, of course, those grounds  
22 are evident to the question.

23           I would rather we move forward with some  
24 recognition that there are rules about these things.

25           MS. SCHMID: As would I, and that's why I am





1 making the objections that I am making.

2 I apologize for not looking at you when I  
3 made the last one and, instead, rather, looking at  
4 Mr. Proctor.

5 CHAIRMAN BOYER: Okay. Well, we -- we've  
6 thought about requiring counsel to genuflect. We've  
7 decided not to do that. So if you don't look at me,  
8 that's fine.

9 I'm going to overrule the objection at this  
10 time, because I think the question is appropriate and  
11 it does deal with Mr. Barrow's testimony. I don't  
12 think I'll take at this point to offer tutorial in  
13 objections.

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

15 MS. SCHMID: Thank you.

16 THE WITNESS: Would you repeat the question?  
17 I'm sorry.

18 MR. PROCTOR: I'm going to try.

19 Q. (BY MR. PROCTOR) If the -- if there is a  
20 split, we asked, won't there be a record on the books  
21 attached to a particular meter that says, This is a  
22 residence. So you don't have to ask about the sales  
23 tax code, because that's built in. You know how much  
24 you're going to be charged -- what percentage you're  
25 going to be charging them in order to comply with state



1 law. Isn't that the way it would work once that split  
2 is effective?

3 A. You know, in all honestly, I don't know how  
4 Questar keeps track of meters on their books, whether  
5 they actually also have them identified as residential  
6 or commercial.

7 You could have an instance where a home that  
8 was lived in all of a sudden has been converted over to  
9 a commercial property. Insurance agency moves in  
10 there, and also of a sudden they're running it as a  
11 business.

12 I don't know if Questar all of a sudden will  
13 know if that is all of a sudden converted to a  
14 commercial residence, unless they looked at the name  
15 and saw the name of the agency and said, Oh, that must  
16 be commercial and coded it that way. I don't know how  
17 that works.

18 Q. Well, we do know that, right now, it's based  
19 purely on a self-report.

20 A. Right. And it's assumed as that customer  
21 signs up, he's not too concerned about what his sales  
22 tax code is. It's assumed, as the customer goes up and  
23 asks for service, and they ask them, Are you  
24 residential or commercial? I make the assumption that  
25 that customer knows whether they're a residence or it's



1 commercial, and they report it that way.

2 I don't think customers go up with the idea  
3 of trying to cheat the system by getting a lower sales  
4 rate, sales tax rate and say they're residential when,  
5 in fact, they're commercial. I don't think that's even  
6 on the customer's mind, or even crosses their mind as  
7 they make that declaration to that representative.

8 Q. But there is an inherent possibility for  
9 error in proper classification of a particular meter  
10 under that system, is there not?

11 A. Yes. We're all human. We all make  
12 mistakes.

13 Q. Right.

14 Well, let's talk about those individual  
15 businesses.

16 Under the proposal that you have made for a  
17 commercial and residential split, what would be the  
18 classification for a non-profit corporation, charitable  
19 organization, who operates out of a little bungalow on  
20 Harvard Avenue and 14th East?

21 A. I don't know what their classification is.  
22 That depends how they report it. I assume if they  
23 report it as not residential, they might have to give  
24 some kind of a SIC code that designates them as  
25 whatever. I am not that familiar with the SIC codes.



1                   And it's not my recommendation. This was  
2 the Company's recommendation.

3                   Q. Do you agree with their recommendation?

4                   A. I support their recommendation.

5                   Q. Okay.

6                   So, for the moment, let's consider that it  
7 is, in fact, the Division's recommendation.

8                   Now, you had mentioned a SIC code. Does the  
9 Utah sales tax law utilize SIC codes, or its own  
10 definition of what is a residence and an industrial and  
11 a commercial use?

12                   A. I don't know.

13                   Q. Because you never read those before you  
14 drafted your testimony, did you?

15                   A. No. I just take it on the fact that the  
16 Company has to assign the sales tax, and they denote  
17 that between residential and commercial. And I accept  
18 that fact.

19                   Q. Well, let's assume that the non-profit  
20 corporation only operates five days a week, 8:00 to  
21 5:00, and no one sleeps there.

22                   What would be their classification under the  
23 Company's proposal, which you support, for that meter  
24 and that address? Would they be commercial or  
25 residential?





1           A.    You'd have to ask the Company how that's  
2 handled.

3           Q.    You don't know?

4           A.    I do not know, no.  I assume if they don't  
5 say they're residential, they're classified as  
6 something else.

7           Q.    One more question about a business.

8                         What about a home daycare?  Where licensed  
9 individuals operating, out of the smaller bungalow  
10 immediately next door to the non-profit corporation,  
11 14th East and Harvard Avenue.

12                        Are they a residence or a commercial  
13 business?

14           A.    They're operating just as a home daycare and  
15 that's it?

16           Q.    Just as a daycare?

17           A.    I would assume how that person reported it  
18 when they signed up for that service, or initiated that  
19 service.

20                        I would assume that the customer service  
21 representative has enough intelligence to know if they  
22 put it under a -- a daycare name, like daytime care,  
23 that they know that that's not a residential home.

24           Q.    Suppose they put it under their own name  
25 because that's the home they own, or the building that



1 they own?

2 A. Well, if they do that and it's a new  
3 service, and the customer reports it as a residential,  
4 that possibility exists. But that's up to  
5 the -- that's up to the individual customer.

6 Just like reporting your individual income  
7 tax is up to the individual customer, or taxpayers.

8 Q. Right.

9 Now, you -- you stated in your summary of  
10 your testimony, that it was the Division's  
11 recommendation to not change the basic service fee  
12 until the next rate case, when we know, by order of the  
13 Commission, that there's going to be a consideration of  
14 the character of the CET, whether it's going to carry  
15 on permanently, and in what form. Correct?

16 A. Yes. That's correct.

17 Q. And that's because, in the Division's  
18 judgement, the basic service fee does have an impact  
19 upon the conservation and efficiency goals that the CET  
20 has in place. Correct?

21 A. Yes.

22 Q. Right now, Mr. Barrow, with a single class,  
23 GS-1 class, and -- would you agree with me again that  
24 that covers a very large range of customers, from the  
25 smallest apartment, or condominium, to the Cliff Lodge



1 at Snowbird?

2 A. Yes, it can.

3 Q. Right now, under the existing  
4 classification, where you have that large band, does  
5 the CET pilot program equally impact every GS-1  
6 customer?

7 A. Well, all depends on, here again, volumetric  
8 usage.

9 When you say "equally impact," it will  
10 depend on volumetric usage, as to how that impacts  
11 their cost.

12 Q. Well, describe for me, then, the difference  
13 between the CET impact on a small condominium, separate  
14 meter, and Cliff Lodge.

15 A. The more volume you use, the more you pay  
16 towards a CET contribution.

17 Q. Does the meter, basic service fee, vary with  
18 the size of the meter necessary to serve those  
19 customers?

20 A. Yes, it does. Right now.

21 Q. And does the basic service fee increase as  
22 the volume becomes larger?

23 A. No. It's just fixed -- fixed on your meter  
24 size.

25 Q. Fixed on the meter size. Which is a



1 volumetric basis.

2           And you don't want to change that basic  
3 service fee, because you, in the Division's judgement,  
4 there's a bit of a conflict between the basic service  
5 fee and those conservation goals that the CET  
6 represents.

7           A. Well, not conservation. It's just the  
8 impact of -- when Mr. Monson was citing the report, it  
9 was also reported in that task force that if we had a  
10 basic service fees of -- I think I reported in my  
11 testimony of something like 23 plus dollars, if that is  
12 the basic service fee for all customers, there would no  
13 longer be a need for a DNG charge period.

14           So the whole concept of basic service fees  
15 and CET, is how much do you assign to a basic service  
16 fee fixed cost versus how much do you put in the  
17 volume.

18           You can go all the way to a flat fixed fee  
19 and no volumetric charge, or you can go all the way  
20 from zero fixed fee to total volumetric charge.

21           The Division just thinks that the best time  
22 to hold that discussion is in the next rate case, when  
23 we determine the actual permanency of the CET pilot  
24 program.

25           Q. And are there other terms in the CET, such





1 as the rebates available, and similar issues, that are  
2 not equally available across the current GS-1 class?

3 A. I'm not sure when you say rebates and CET  
4 program. I don't know if you're referring to the DSM  
5 program.

6 Q. The DSM programs. Yes.

7 A. Well, the DSM program applies to the GS-1  
8 class. I'm not sure what your question is.

9 Q. Well, are there certain amounts of rebates  
10 for taking certain steps that may vary between a  
11 commercial and a residential customer?

12 A. Yes. Yes, there are definitely two distinct  
13 programs. There is a program designed in the DSM  
14 program, and there's programs designed strictly for  
15 residential. There's programs designed strictly for  
16 commercial. And that's why it makes, to the Division,  
17 sense to split those classes out.

18 Q. And the CET defines the -- those -- the  
19 differences in availability based upon what?

20 A. Are you talking about the CET or the DSM?

21 Q. The DSM program. I'm sorry. The DSM  
22 program. It separates what is available for commercial  
23 and what is available for a residential on the basis of  
24 what?

25 MS. SCHMID: Objection. I think that this



1 goes beyond the scope of Mr. Barrow's testimony.

2 MR. PROCTOR: Mr. Chairman, he said don't  
3 change the BSF until we have the next determination,  
4 because the CET is uncertain about its scope, its  
5 meaning, its impact on customers. This is addressing  
6 whether or not there are also another issue that should  
7 be -- should wait for a more thorough, deliberate  
8 consideration. That's what I'm getting to. And I'm  
9 going to get to it really quickly, and I will get to it  
10 quicker than that if you ask.

11 CHAIRMAN BOYER: Okay. Let's see if  
12 Mr. Barrow knows.

13 THE WITNESS: Your question, if I understand  
14 it, is what is the basis for the differentiation  
15 between the residential and commercial DSM programs?

16 MR. PROCTOR: Yes.

17 THE WITNESS: It's probably based more on  
18 type of equipment that's used in those facilities.

19 Q. (BY MR. PROCTOR) And also a function of  
20 volume?

21 A. Well, function of volume is really based on  
22 your needs, of those facilities. They're -- they're --  
23 a commercial application generally need a lot more  
24 volume than a residential, just because of the size;  
25 therefore, you have different evening systems,



1 different equipment needs than what a residential.

2 And that's why, for the Division, it makes  
3 more sense to split the residential, because they're  
4 homogeneous in that sense, that they are single use.  
5 They use it mainly for heating. Where commercial you  
6 have a variety of uses out there. And care needs to be  
7 taken to see what those uses are, so that unintended  
8 consequences are not created.

9 And that's the same way that DSM programs  
10 are set up. They're set up to meet the actual use that  
11 gas is used for. Furnaces versus large boiler systems,  
12 cooking equipment, things like that.

13 There's -- there's a variety of reasons why  
14 they're separated. You just can't have one program  
15 fits all.

16 Q. And what you testified to earlier in your  
17 summary was that 62 percent of the current  
18 commercially-classified customer at Questar never uses  
19 greater than 45 decatherms in a month. Isn't that what  
20 you said?

21 A. Right. Based on the information we got from  
22 a data request, 60 percent of the commercial class  
23 customers in any one month never exceeded 45  
24 decatherms.

25 Q. So this homogenous group that you're talking



1 about, in fact, is based upon a volume of -- and you  
2 have chosen, or the Company has chosen, and others have  
3 the same, chosen 45 deca -- no more than 45 decatherms  
4 in a month.

5 That's the homogenous group, isn't it,  
6 Mr. Barrow?

7 A. Well, 45 decatherms is what currently exists  
8 in current rates. That's what the current rate class  
9 is currently faced with.

10 As far as splitting out the commercial  
11 customers into a new category, all we're saying is that  
12 62 percent of these commercial customers will see no  
13 difference than what they are currently seeing right  
14 now, as far as paying a flat rate or whatever rate.

15 Q. But that is also not the end of the  
16 Division's request, because you want to further refine  
17 the classifications, perhaps splitting it into more  
18 than two. Correct?

19 A. Well, I don't know if that was the initial  
20 Division's request. That was other parties' initial  
21 request.

22 I think the Committee was concerned about  
23 doing a lot of split on volumes, and the Division says,  
24 Hey, we are more than willing to sit down on a task  
25 force and look at splitting out this commercial class,





1 a number of ways. There's a number of ways of doing  
2 that.

3 But that was not the Division. The Division  
4 recognized there is a need to further refine the  
5 commercial class, because there is a lot of volume  
6 disparity in that class.

7 Q. Right.

8 And do you intend that this task force would  
9 have its work completed prior to the next general rate  
10 case that Questar will file, that will involve the CET?

11 A. I think, in my testimony, my -- I think it  
12 was my rebuttal testimony, I'm not sure. I did put a  
13 date in there. And I can't remember off the top of my  
14 head, without referring to it, but I did recommend a  
15 date, and I -- I want to say, without looking it up  
16 right now, I thought maybe May 1st. But I don't know  
17 if that's the date I actually put in there.

18 But, yes, the Division did recommend a  
19 specific date to have this task force meet and come up  
20 with some recommendations, realizing that the -- we  
21 could be in the middle of another rate case at that  
22 time, and some actual policy definitions or conclusions  
23 need to be formulated before we actually get into that  
24 phase of the cost of service phase of that rate case.

25 Q. Now, on your -- in your rebuttal, on line



1 20 -- or excuse me, 90, you -- your -- you used the  
2 word fixating on volumetric usage requirements to  
3 designate customer classes.

4 And you -- you had provided an example  
5 between a large GS-1 customer and an F-1 customer as to  
6 how you can jump between blocks.

7 And then you used the term, you were  
8 "concerned," not that the example would ever occur, but  
9 that the concept of jumping between classes results  
10 from fixating on volumetric usage requirements, as  
11 the -- in order to designate general classes. Is that  
12 correct?

13 A. Yes.

14 Q. But in making this recommendation that  
15 you're making here today, and agreeing with the  
16 Company, instead of looking at the volumetric impacts  
17 and the CET impact in -- at a time when you have  
18 consideration of all of the elements of, for example,  
19 the CET, which you say exists as to BSF, isn't the  
20 Division saying, We're going to fixate on prior sales  
21 tax classifications that are self-reported by the  
22 customer, at least for now, and -- but knowing we're  
23 going to change it and make it more accurate on a  
24 volumetric basis in the next general rate case?

25 Isn't that the Division's position?



1           A.    Well, no.  I don't understand how you say  
2   fixate on sales tax.

3           MR. PROCTOR:  Excuse me, Mr. Barrow.

4           I'm hearing answers -- I am hearing answers  
5   coming from the audience.

6           CHAIRMAN BOYER:  I did hear whispering, so  
7   let's refrain from --

8           I don't think Mr. Barrow is being coached.  
9   I mean, he's -- he's focused on your dialogue.

10          MR. PROCTOR:  I think he is too, but  
11   nevertheless, it's distracting.

12          CHAIRMAN BOYER:  It's inappropriate.  Okay.  
13   So let's be careful of those in the peanut gallery back  
14   behind the bar, please.

15          MR. PROCTOR:  Mr. Barrow, I'm sorry to  
16   interrupt you.  Go ahead.

17          THE WITNESS:  Well, I'm not really sure I  
18   really understood the intent of your question, when you  
19   say fixating on sales tax, and then proposing to change  
20   later on volumes.  I totally missed your point of  
21   connecting those two.  Would you mind repeating that  
22   question?

23          MR. PROCTOR:  I'm satisfied with the answer,  
24   Mr. Barrow.  Thank you very much.

25          I have no further questions.



1 CHAIRMAN BOYER: Thank you, Mr. Proctor.

2 Let's turn now to Mr. Gardner. Do you have

3 cross-examination of Mr. Barrow?

4 MR. GARDNER: Just a few.

5 CROSS EXAMINATION

6 BY MR. GARDNER:

7 Q. Just so I can understand your testimony, why

8 don't you tell me what the initials CET stand for?

9 A. It stands for conservation enabling tariff.

10 Q. Thank you.

11 Now, do you believe there is a relationship

12 between the amount of the basic service fee and

13 encouraging or discouraging conservation?

14 A. Yes. I believe that a relationship can be

15 eventually drawn if you want to, you know, go to

16 extremes.

17 There's also a relationship on whether you

18 want to put a Company's cost recovery on fixed fees

19 versus volumetric charges.

20 Q. Is it fair to say that the higher the basic

21 service fee, the less the encouragement for

22 conservation?

23 A. That can be a true statement, yes.

24 Q. And the converse is also true, isn't it?

25 A. Right. The lower the fee, the higher





1 volumetric charges, the greater incentive for  
2 conservation.

3 Q. Now, it's true, isn't it, that in your view,  
4 the CET covers the costs included in the basic service  
5 fee, doesn't it?

6 A. Well, the basic service fee, those costs are  
7 included in the calculation of the amount allowed under  
8 the costs-based enabling tariff, yes.

9 Q. How so?

10 A. It's just part of the total revenue  
11 requirement that the Company is allowed to collect.  
12 Whether it be fixed fees or through volumetric charges,  
13 they are allowed a -- an amount per customer that  
14 includes that basic service fee.

15 Q. Okay. Let's address the issue of splitting  
16 the GS-1 customers into two groups; the GSR which is  
17 residential, right?

18 A. Yes, it is.

19 Q. And the GSC, which is commercial. Correct?

20 A. That's correct.

21 Q. Can a customer change from being a  
22 residential customer to a commercial customer simply by  
23 calling Questar up on the phone? Do you know that?

24 A. Not having personal experience, I don't know  
25 what the actual procedure is.



1 I'd imagine they would want to know why are  
2 they changing. And if they have to change to a  
3 commercial, they are probably going to be asked what  
4 their SIC code is. And if the customer says, I'm --

5 Here again, I've never done this personally,  
6 I'm just imagining what would happen.

7 If the customer says I don't know what my  
8 SIC code is, I imagine the representative says, Well,  
9 what type of industry are you doing, and that type of  
10 question would follow.

11 I know commercial customers are assigned a  
12 SIC code.

13 Q. Okay. Just so that I understand you  
14 correctly, you personally don't know whether a customer  
15 can call up Questar and change from being a residential  
16 customer to a commercial customer.

17 A. Well, I imagine they can. I have never done  
18 it myself.

19 Q. My question was, do you know.

20 A. I do not know for sure how that works, no.

21 Q. And likewise, you don't know whether a  
22 residential customer can call up and change to be a  
23 commercial. Right?

24 A. I imagine they can, but I don't know the  
25 actual process requesting that they go through, no.



1           Q.    Wouldn't you want to know that before making  
2 a recommendation as to whether the GS-1 class should be  
3 split between residential customers and commercial  
4 customers?

5           A.    You know, Mr. Gardner, I trust the  
6 intelligence of the representatives of Questar Gas.  
7 That they have enough in place to figure that out, and  
8 the procedures, because they are mandated by state law  
9 to try to collect the correct sales tax.  And I'm sure  
10 that they have the ability to handle that situation.

11          Q.    So that --

12          A.    But I do not personally -- I have not  
13 personally verified that, no.

14          Q.    And my question was, would you want to know  
15 that?  Would the Division want to know whether  
16 customers can change their classification by simply  
17 calling Questar on the phone?

18          A.    And my response to that is, that I trust  
19 that the representatives of Questar gas are able to  
20 determine that within their procedure.

21                   I have not gone through the process and  
22 actually personally verified it, no, but I trust that  
23 they are able to do that.

24          Q.    Now, you agree, don't you, that the primary  
25 purpose for placed -- for dividing customers into



1 customer classes, is to encourage energy efficiency and  
2 conservation, don't you?

3 A. Well, I don't know if that's the primary  
4 purpose. That's the primary purpose I think when we  
5 went to focus on residential.

6 But we also recognize that within the  
7 commercial class, there are varying needs as to the use  
8 of that gas, and that -- those needs have to be looked  
9 at before you start looking at the rate design of that  
10 class.

11 Q. Would you turn to page eight of your  
12 rebuttal testimony, please?

13 A. Okay.

14 Q. Do you have it in front of you?

15 A. I have page eight, yes.

16 Q. Would you read from lines 105 to 110?

17 A. Primary purpose of customer class?

18 You mention primary purpose as a means to  
19 dividing customers into customer classes. What do you  
20 mean by that primary purpose? Is this the correct?

21 Q. Yes.

22 A. Primary purpose refers to the concept of  
23 designing rates within a class that best meet current  
24 energy objectives or policies. In today's environment,  
25 these objectives are the promotion of conservational





1 gas usage.

2 Q. Okay. That was your answer, wasn't it? To  
3 the question?

4 A. Well, that wasn't the complete answer, but  
5 that was the answer through line 110, yes.

6 Q. And what you said through line 110 is true  
7 and correct, isn't it?

8 A. In today's environment, I think that is one  
9 of the primary efforts, yes.

10 Q. Thank you.

11 Now, would you say, in general, that flat  
12 rates encourage -- flat utility natural gas rates  
13 encourage conversation more than a declining block rate  
14 schedule does?

15 A. Well, here again, I think you've got to look  
16 at the use of that -- that customer's usage before you  
17 make a generalized statement. But in general, with  
18 regard to residential, yes, flat rates tend to be more  
19 promotional for energy conservation than declining  
20 block.

21 Q. What about commercial rates?

22 A. Commercial rates, there you have varying  
23 needs that need to be looked at.

24 Some commercial operations will -- are going  
25 to tend to need -- to use a lot more gas than what a



1 residential. And you need to be careful, because you  
2 could cause unintended economic consequences on that  
3 commercial operation if you go to a flat rate and  
4 really increase their cost, and primary could possibly,  
5 you know, put them out of business if they're a  
6 marginal business, incur operating.

7 Q. Well, isn't it fair to say, that if you  
8 don't -- if you have a -- a flat rate for commercial  
9 customers, those commercial customers who can cut back  
10 on their natural gas are more likely to do so than if  
11 there is a declining block schedule?

12 A. All things given equal, that probably would  
13 be the case. And I think the Company has realized that  
14 there are commercial customers in that circumstance,  
15 and therefore they do have -- about 62 percent of them  
16 will be treated just like a residential customer in the  
17 fact that they've always had a flat rate.

18 Q. And that -- that brings me to my next  
19 question.

20 If 62 percent of the commercial customers  
21 are still going to be treated in the same fashion as  
22 all the residential customers, why don't we split the  
23 GS-1 rate along terms of usage? The amount of usage  
24 rather.

25 A. Well, because that usage can vary with, you



1 know, varying circumstances.

2           And I think it's better to have a class  
3 where you know you're -- definitely whether you're  
4 residential or commercial, rather than moving around  
5 with volume usage.

6           Q.    If 62 percent are below 45 decatherms, you  
7 don't really believe that, do you?

8           A.    Do I really believe --

9           Q.    Do you really believe there is a large  
10 variability in the commercial class of 62 percent of  
11 them on the basis of history use less than 45  
12 decatherms?

13          A.    The variability in usage, no.  But I think  
14 there's a definite difference in purpose.

15          Q.    And there isn't any variability in the  
16 amount either.  You don't expect much of that either,  
17 do you?

18          A.    No, I don't expect much in the variability  
19 of the amount.

20          Q.    The only reason you want to divide  
21 residential from commercial is because you classified  
22 the uses of residential some -- as one kind of class,  
23 and the use of commercial users as an economic use.  Is  
24 that correct?

25          A.    That's basically correct, yes.



1 Q. Okay.

2 Did you do any studies to determine how much  
3 of the residential class will exceed the 45 decatherms  
4 per month?

5 A. Well, in my Exhibit 6.2R, I think it shows  
6 that about roughly 99 percent of the residential class  
7 does not get above 45 decatherms a month; therefore,  
8 about one percent must get above 45 decatherms a month.

9 Q. But whatever it is, that amounts -- those  
10 customers are going to be treated differently than  
11 commercial customers who use the same amount of gas.  
12 Right?

13 A. Well, in the sense that -- yeah, their  
14 primary purpose is different, yes.

15 Q. Well, they -- the residential customers are  
16 going to have a flat rate that encourages conservation,  
17 aren't they?

18 A. Under the proposed rate design, yes.

19 Q. But the commercial customers, who exceed 45  
20 decatherms will have a declining block rate. Correct?

21 A. Under the proposed design, yes.

22 MR. GARDNER: Thank you.

23 CHAIRMAN BOYER: Thank you, Mr. Gardner.

24 Mr. Dodge.

25 MR. DODGE: Thank you, I have no questions





1 but I'll pass on a request from your neighbors, to turn  
2 down the mics. They have a hearing and the noise is  
3 too loud from here.

4 CHAIRMAN BOYER: Okay. Well, we have two  
5 responses come to mind, but we'll just turn them down.

6 MR. BALL: Can I make an observation on  
7 that? I've noticed we're hearing every sort of P and  
8 B sound from Mr. Barrow. He's swallowing the mic. I  
9 think he's trying to avoid Mr. Gregory's problem  
10 yesterday.

11 I think we could solve their problem if he  
12 would just have his mic a little bit further away from  
13 his mouth.

14 CHAIRMAN BOYER: Let's do both. We'll turn  
15 down the volume just a bit, to be good neighbors, and  
16 ask Mr. Barrow to just back off a couple of --

17 MR. BARROW: I'll try to speak up.

18 CHAIRMAN BOYER: Okay.

19 Mr. Ball, have you cross examination for  
20 Mr. Barrow?

21 MR. BELL: Just a few, chairman. Thank you.

22 Good morning, Mr. Barrow.

23 THE WITNESS: Good morning, Mr. Ball.

24 CROSS EXAMINATION

25 BY MR. BALL:



1 Q. Who provides the financing for the customers  
2 in the current GSS and EAC areas, please?

3 A. Who provides the financing?

4 Q. Yes.

5 A. I'm not sure what financing you're referring  
6 to when you say who provides the financing.

7 Q. Okay.

8 CHAIRMAN BOYER: Mr. Barrow, you're sliding  
9 a little closer to the mic.

10 There you go, thank you.

11 Q. (BY MR. BALL) In your testimony, you  
12 recommended that the -- that the -- the capital for the  
13 extensions into these areas be refinanced.

14 Who currently carries the financing?

15 A. Well, are you talking about the EAC areas?

16 Q. The EAC and the GSS. Is there a difference?  
17 If there is, explain it, please.

18 A. Well, in my mind there's a difference  
19 between the GSS and the EAC areas. The GSS areas were  
20 established some 18 -- or 15, 16 years ago. Those  
21 costs were -- or those systems were developed into  
22 those areas and rolled into the cost of service, or the  
23 costs of everybody's rate base. And then it was  
24 determined that it would take 20 years to get a  
25 sufficient rate of return to --



1                   With respect to the EAC areas, those areas  
2 were -- actually the costs were kept separately, and  
3 the amount that required to pay back those costs were  
4 tracked separately for each individual area.

5                   Q.   And the original question, if you will, was  
6 who carries the financing?

7                   A.   Well, the financing -- you know, I guess the  
8 financing is -- is carried by the Company.

9                   Q.   In both cases?

10                  A.   Yes.

11                  Q.   Okay.

12                               When you talk about refinancing at six  
13 percent, who's going to carry the refinance?

14                  A.   Well, when you say the refinance, do you  
15 just -- it's the Company that carries the refinance.

16                  Q.   Thank you.

17                               When you were answering my question a moment  
18 ago about the GSS areas, you commented that the capital  
19 costs had all been rolled into rate base, and GS-1  
20 customers generally were -- were paying that off.

21                               To your knowledge, is it possible to go back  
22 through rate cases, general rate cases over the years,  
23 and perhaps establish what those capital costs were?

24                  A.   Are you referring -- you're referring to the  
25 GSS areas?



1 Q. Yes.

2 A. It's my understanding that those costs have  
3 not been tracked separately. That they've just always  
4 been included in the overall rate base of the Company.

5 And to actually go back and determine what  
6 those actual costs are, here again, I am not a forensic  
7 accountant, I do not know if that can actually be done.

8 It's my understanding that it would be very,  
9 very difficult, because of the unavailability of  
10 records.

11 Q. Here we are, coming towards the end of this  
12 long and difficult general rate case, and you have had  
13 in front of you many, many spreadsheets with a great  
14 deal of intricate detail on them.

15 If there had been an investment, a capital  
16 investment in a specific expansion project, or if there  
17 had been proposed to be, during the -- during the test  
18 period in this case, do you think you would be able to  
19 see what those capital costs were?

20 A. Today?

21 Q. Yes. In this current rate case.

22 A. Well, yes. We can see what those capital  
23 costs are for various projects.

24 Q. So do you not think that it would be  
25 possible to go back and look at the records from the





1 appropriate rate cases in the past, and see what the  
2 capital amounts that were included in rate base in  
3 those general rate cases for the GSS areas were?

4 A. Well, I know what the assumptions were used  
5 when they presented the --

6 Q. No, I'm not talking about assumptions, I'm  
7 asking you if you don't think it would be possible to  
8 go back and look at general rate case files that are  
9 either in the possession of the Division or the  
10 Commission, or filed away somewhere in the state  
11 archives, and see whether that data exists there.

12 A. Well, the data exists on the assumptions  
13 used to make the propositions for -- for whatever the  
14 application is.

15 As to whether that is the actual costs or  
16 not, that's a different question. And I'm not sure.  
17 Are you talking about the data used when presenting in  
18 rate cases, or what the actual costs are?

19 Q. I'm talking about the data that was used in  
20 general rate cases, and I'm operating -- it's my  
21 assumption, correct me if you think I'm wrong, that  
22 back then we were dealing with historical test views.  
23 So they were actual data, they were not projections?

24 A. Well, you -- you've got me confused on  
25 really what your question is, Mr. Ball. I'm sorry.



1 Maybe I'm --

2 Q. Let me see if I can clarify it, Mr. Barrow.  
3 I hate to confuse a man.

4 I'm asking you, given that in the period of  
5 time that the GSS rates were put into effect, the  
6 period of time during which those capital investments  
7 were made by Mountain Fuel Supply Company, during the  
8 rate cases that took place in that period of time, do  
9 you think that there would be, in the records of those  
10 rate cases, data existing that would enable the  
11 Division, for example, to identify how much money was  
12 put into rate base in order to pay the capital costs of  
13 the -- of the Southwest Utah expansion scheme?

14 A. Well, my Exhibit 6.2 that I filed in my  
15 direct testimony is an exact replica of the data used  
16 to justify the GSS expansion areas.

17 Q. That's not responsive, Mr. Chairman.

18 MS. SCHMID: Pardon me, Mr. Chairman, could  
19 you let -- instruct Mr. Ball to please let the witness  
20 finish his sentences?

21 CHAIRMAN BOYER: Yes. Let's let Mr. Barrow  
22 answer, and then if it's not responsive, you can either  
23 re-ask it or we'll instruct him to answer.

24 MR. BALL: Thank you.

25 THE WITNESS: As I was saying, that exhibit



1 shows the assumptions used for the capital costs that  
2 were projected for these systems, and how they arrived  
3 at the rate.

4           Whether that is the actual cost of that  
5 system, I do not know. I do not know if you can go  
6 back and the -- in the actual rate cases filed  
7 subsequent to this, I don't think you can go back and  
8 see what the actual costs are, because they have just  
9 been -- those actual costs have been included in the  
10 overall costs of all of the systems. They're not  
11 delineated by this area.

12           Q. (BY MR. BALL) Mr. Barrow, what -- what  
13 benefits do you believe the rural communities, that  
14 were extended natural gas service in connection with  
15 GSS rates and BACs, receive from that service and from  
16 paying those rates?

17           A. The same benefits we all receive.

18           Q. Could you be more specific, please?

19           MS. SCHMID: Objection. I believe this goes  
20 beyond the scope of Mr. Barrow's testimony in this  
21 docket.

22           MR. BALL: I'm going to need a second,  
23 Chairman, to find the particular place in Mr. Barrow's  
24 testimony.

25           Would you repeat your objection?



1                   Would Ms. Schmid please repeat her  
2 objection?

3                   CHAIRMAN BOYER: She's objecting because  
4 they thinks your question goes beyond the scope of his  
5 testimony, either direct or rebuttal.

6                   I can't personally recall Mr. Barrow  
7 testifying about benefits accruing to these rural  
8 customers from the extension of service.

9                   MR. BALL: Okay. I'll leave that.

10                  CHAIRMAN BOYER: So we'll sustain that  
11 objection.

12                  MR. BALL: I've leave that and move  
13 elsewhere.

14                  Q. (BY MR. BALL) Mr. Barrow, in your direct  
15 testimony, you wrote that the impact to the proposed  
16 GSR rate class, in eliminating the GSS rate class,  
17 would be an increase in cost of service revenue of 1.8  
18 million.

19                  MS. SCHMID: Pardon me. Could Mr. Ball  
20 please identify where in the testimony that is so I can  
21 catch up quickly?

22                  I believe perhaps is it on page ten,  
23 beginning around lines 150?

24                  MR. BALL: Yes.

25                  MS. SCHMID: Thank you.





1 MR. BALL: Thank you.

2 Q. (BY MR. BALL) On page nine of Mr. -- of  
3 your surrebuttal, Mr. Barrow, you reported that the  
4 Division had asked the Company to calculate the  
5 different set of figures, or to re-calculate them, or  
6 whatever.

7 And you reported the conclusion that the  
8 effect on a typical GSR customer's DNG cost would be an  
9 increase in annual cost of \$0.67 in annual cost.

10 What does that amount to, please, in the  
11 context of the 1.8 million?

12 A. The 1.8 million that I was referring to is  
13 based on Mr. Gregory's projection of costs. I was  
14 using his model at the time.

15 And those costs, here again, you've got to  
16 realize that when you look at the GSS rates, you're  
17 coming up with an assumed revenue credit that's taken  
18 as a credit against the general service class cost of  
19 service. And I was just referring to his calculation,  
20 which may not have been correctly calculated at the  
21 time I put it in my testimony.

22 I would refer more to Mr. Robinson's  
23 calculation. But here again, his calculation was based  
24 on the Company's rate design, which does include  
25 increased basic service fees.



1 Q. I'm having trouble, Mr. Barrow, drawing a  
2 comparison between 1.8 million and \$0.67.

3 Can you help me? Can you either cast the  
4 1.8 million in terms of the annual cost --

5 A. Yes.

6 Q. -- of GSR -- on a single GSR customer, or  
7 can you help me by grossing up the \$0.67 to the total  
8 customer base?

9 A. If you read my testimony, my direct  
10 testimony on line 152, when I respond to this, I say  
11 the Division estimate -- estimates using Mr. Gregory's  
12 class cost of service and rate design model, that the  
13 rate impact of the GSR rate class would be an increase  
14 in cost of service revenue of 1.8 million.

15 The 67 cent figure I got, I asked Questar  
16 Gas, or Mr. Robinson, to go through and re-calculate  
17 what that impact would be using their model. And he  
18 came up with the \$0.67 per year effect to the  
19 residential customer.

20 Q. Are you able to tell me what the replacement  
21 number for the 1.8 million would be in terms of  
22 Mr. Robinson's new estimate?

23 A. If I had their model before me I could, but  
24 I don't have their model before me, no.

25 Q. How difficult would it be for you to obtain



1 that model and do that?

2 A. Well, if we wanted to take a recess, I could  
3 go look it up.

4 MR. BALL: Mr. Chairman, could we ask at the  
5 next break, or after the next break, Mr. Barrow perhaps  
6 come back with that number?

7 CHAIRMAN BOYER: Let's see if you can do  
8 that during the next break, or during the lunch break,  
9 Mr. Barrow.

10 MR. BALL: Thank you.

11 Q. (BY MR. BALL) Either way, Mr. Barrow, we're  
12 talking about the shift of cost from about 8,000  
13 customers currently paying GSS and EAC rates, to about  
14 850,000 customers currently paying what I call  
15 unembellished GS-1 rates. Are we not?

16 A. Well, we're not talking about the shift of  
17 costs, we're talking about a revenue credit for the GSS  
18 customers that have been applied to the overall cost of  
19 service for all GS-1 customers.

20 With regard to the EAC rates, we're not  
21 talking about any shift of costs. We're talking about  
22 having those individuals' current situation remedied to  
23 a situation that is just not working as anticipated.

24 Q. As a residential ratepayer, who pays those  
25 unembellished GS-1 rates, it seems to me that my cost



1 is going to go up if your recommendation is approved by  
2 the Commission.

3 Do you disagree with my simple view?

4 A. No. The current rate will be adjusted, as  
5 opposed to keeping -- as with the revenue credit in  
6 there, yes.

7 Q. So I'm going to be paying more.

8 A. Well, with the split-out of the GS  
9 commercial class, you're going to be paying more too.

10 Q. Yeah. But I'm not talking about that. I'm  
11 just talking about the GSS and the EAC rates.

12 A. Yes, Mr. Ball, and I think you -- you've  
13 missed the intent of this whole GSS issue, is the fact  
14 that the Division believes that the whole premise of  
15 the way those rates have been implemented have not been  
16 true to the way the rates were designed in the initial  
17 application to arrive at that 20-year time period.

18 There's no justification for continuing that  
19 20-year time period, because the actual implementation  
20 of the rates did not even follow the assumptions used  
21 to derive that 20-year time period.

22 We just can't continue saying that those  
23 rates are just and reasonable. Whether everybody's  
24 rates go up is not the issue. The issue is is those  
25 rates, the continuation of the GSS rates, is not a just





1 and reasonable cost to continue in this format.

2 Q. What balances the equation for an individual  
3 GS-1 rate paying customer such as myself, that if my  
4 costs go up, makes the -- the increase rates just and  
5 reasonable for me?

6 A. Fairness.

7 Q. Fairness to me?

8 A. Well, no, fairness to those individuals  
9 whose currently rates are not just and reasonable.

10 Q. Not fairness to me then.

11 A. Well, fairness to everyone.

12 Q. How is that fair to me?

13 A. How is it not fair to you? To not share  
14 those costs?

15 Q. With the greatest respect, sir, I'm asking  
16 the questions, you're providing answers.

17 How is it fair to me?

18 A. Just as it's fair to everyone. We're all in  
19 the same average, common rate class.

20 Q. How did -- how did folks like me benefit  
21 anywhere along the line from the extension of natural  
22 gas service into these rural areas?

23 MS. SCHMID: Objection. I think this line  
24 of questions has been asked and answered with the  
25 how-is-it-fair-to-me line of questions.



1 CHAIRMAN BOYER: Well, again, we're getting  
2 into an area that is beyond the scope of Mr. Barrow's  
3 direct. He didn't address fairness issues. Benefit  
4 issues. We've talked about that earlier.

5 So can you move on to another line of  
6 questioning, Mr. Ball?

7 MR. BALL: I'll bless you all and stop  
8 entirely.

9 Thank you, chairman. Thank you, Mr. Barrow.

10 THE WITNESS: Thank you.

11 CHAIRMAN BOYER: Thank you, Mr. Ball.

12 We'll turn now to the commissioners.

13 Commissioner Allen, have you questions?

14 COMMISSIONER ALLEN: Thank you,  
15 Mr. Chairman. Yes, I have a few questions for  
16 Mr. Barrow here.

17 EXAMINATION

18 BY COMMISSIONER ALLEN:

19 Q. I'd like to start first with the genesis for  
20 the split tax codes in the split scenario.

21 What was the original in-source or  
22 inspiration for looking at tax codes?

23 Is this something that's routinely done  
24 around the country? Is it's something done around  
25 administration application, or something that the task



1 force worked on? I'm just curious.

2 A. It's not something that's the task force  
3 specifically worked on. I guess it's something that's  
4 always been in Questar's practice, ever since the tax  
5 Commission created a separate sales tax for residential  
6 use versus commercial use. It's just something they've  
7 always identified as delineating whether you're a  
8 residential sales tax customer or a commercial tax  
9 customer.

10 How that tax code evolved, I do not know.  
11 It's just the requirement of Questar Gas to record  
12 that.

13 But it's also a source that they continue to  
14 use in reporting statistically volumetric information  
15 on a national basis, which, for some reason, they seem  
16 to want to have those split-outs made. They report  
17 volumes by residential use, commercial use, and  
18 industrial use.

19 Q. Okay. So that was really the crux of my  
20 question you got to, and that is tax codes are used in  
21 other areas. The Company used tax codes, and it's part  
22 of their administration to have implementation of the  
23 tax codes of their business?

24 A. Yes. And we also heard in that Oklahoma  
25 they use tax codes to separate residential. How many



1 other jurisdictions or gas distribution companies  
2 throughout the nation use the same method, I do not  
3 know.

4 Q. Okay. Great then. Thank you.

5 The other question -- another question I had  
6 has to do with the NGB tariff. And you've recommended  
7 that we reach the cost of the service, and I think it's  
8 with two steps; one in this case and then the second  
9 step in the next rate case.

10 Is that a practical application, the  
11 two-step gradualism, because we have -- we'll be  
12 looking at the CET, or if the Commission wanted to,  
13 we'd be able to just define that we're going to reach  
14 gradualism in a -- in a different formula. That we're  
15 just going to do it in a single order.

16 A. As far as the Division's concerned, and  
17 coming with the recommendation for a move to  
18 50 percent, we were trying to keep within the principal  
19 of gradualism. But in all honesty, we felt that it  
20 would probably be more practical to just do it in one  
21 fell swoop. We backed down to 50 percent this time,  
22 50 percent next rate case, because as far as whether  
23 you do it completely now or in the next rate case, I  
24 don't think it's really going to make that much  
25 difference to the NGV vehicle user. I think it's about





1 an additional \$0.28 a gallon.

2 Q. So with your experience, and looking at the  
3 policies that we've implemented, if we wanted to have a  
4 single order and used gradualism or whatever maybe it  
5 was going to be, in three or four steps instead, we'd  
6 certainly be within the ability of the Commission to do  
7 that, and look at other things we've done also. Would  
8 that be your observation?

9 A. Yes, you certainly could do that.

10 Q. And the other question I had for you is --

11 Oh. When it comes to the CET though, in  
12 reviewing that, is there any way in which the NGB and  
13 the tariff comingle that we should be aware of?

14 A. No. They have nothing to do with each  
15 other.

16 Q. Okay. That's what I thought. I just wanted  
17 to be sure.

18 And then the last question is --

19 No, actually, you answered that one too. So  
20 I'm finished. Thank you.

21 CHAIRMAN BOYER: Commissioner Campbell?

22 EXAMINATION

23 BY COMMISSIONER CAMPBELL:

24 Q. Let me just start with the gradualism  
25 question, since that's where we left off.



1           Is it your understanding that gradualism is  
2 a utility rate-making principal?

3           A.   Whether that's a -- I understand that is  
4 a -- yes, a principal that is generally accepted as a  
5 method to gradually get to where you want to go.  So.

6           Q.   Is gradualism part of any sort of market  
7 base systems?

8           A.   No.

9           Q.   Let me ask you some questions about the  
10 basic service fee that Mr. Monson asked you.

11                   And my first question is, when we set rates  
12 here in Utah, do we set rates based on the cost of  
13 service of this utility, or do we look at other  
14 utilities across the country, and what their cost of  
15 services are to set our rates here?

16           A.   We've set our rates, I believe, based on the  
17 cost of service here totally.

18           Q.   So as I read this report that was issued in  
19 2004, where the statement is that other states had an  
20 \$8 charge and we had a \$5 charge, and so there is a  
21 consensus that we aren't meeting our cost of service,  
22 was that based on that comparison, or was it based on  
23 something else?

24           A.   Probably in context with the report, it was  
25 based on the assumption that the basic service fees in



1 the state of Utah, for whatever reason, are lower than  
2 the other basic service fees charged in other  
3 jurisdictions. It probably didn't have anything to do  
4 with the actual cost of service of -- of that. Just  
5 the way the total cost of service is collected.

6 Q. All right.

7 And as we -- you made the statement that  
8 you'd -- you didn't want to change the basic service  
9 fee based on the CET. Does that mean that you accept  
10 the Company's new cost of service setting with the  
11 changes and modifications they've made by using part of  
12 the main now as part of this customer charge --

13 You've signed off on that approach?

14 A. In all honesty, as a Division, we had not  
15 really looked in detail at their methodology. And  
16 that's why I basically said we -- we didn't have any  
17 issue with it. But we really haven't looked at it in  
18 detail to really determine whether it's appropriate or  
19 not.

20 When we saw the increase in basic service  
21 fees, we basically just held the position that we would  
22 not allow it, or didn't want to allow an increase in  
23 basic service fees because of the CET pilot program.  
24 And that was the extent of our, I guess, investigation  
25 into their premise for increasing it.



1 Q. So in any subsequent case, you would clearly  
2 review their cost of service study in any proposed  
3 changes that they would make from our historical  
4 precedent and make a decision whether that was  
5 appropriate or not?

6 A. Yes. Yes. But we did not do it in this  
7 case. We did not really review, in detail, their  
8 methodology or reasons for increasing.

9 Q. Let me ask you a question about the word  
10 "refinance" in your testimony. I was a little  
11 troubled.

12 I wasn't going to actually bring this up,  
13 but since Mr. Ball asked a number of questions, I  
14 wanted to -- I want to ask a few questions along this  
15 line.

16 Have any of the customers in the GSS signed  
17 financing agreements with the Company?

18 A. To my knowledge, no. Not in the GSS area.

19 Q. So is this -- I mean, could one look at this  
20 more as the Commission looking at the interest rate  
21 used in calculating a rate, rather than some sort of  
22 obligation, some sort of loan or obligation with a  
23 specific amount?

24 I mean, it -- I know we used the word  
25 refinance on the record order, but maybe we misspoke.





1           I think the Commission's premise was that  
2 you looked at the interest rate and whether this was  
3 appropriate or not. And I think that's what the  
4 commissioner meant when he said refinance. But I guess  
5 my question is, is -- are these rates -- and I may  
6 in -- by definition I'm answering the question, but are  
7 these rates financing agreements or are they rates set  
8 for service?

9           A. Well, in -- are you talking about the GSS or  
10 the EAC areas?

11          Q. Do you see a distinction?

12          A. I do see a distinction. Yes.

13                 The EAC areas were specifically set up with  
14 a definite, I guess commitment to pay back a certain  
15 amount. That amount was the amount required to build  
16 the minimum system into those areas.

17                 The pay back is -- is set up as a definite  
18 monthly -- fixed monthly charge on those customers'  
19 bills. It is outside of any volumetric consideration  
20 for gas. It is a fixed payment that they pay each  
21 month in order to amortize that amount to build that  
22 minimum system.

23                 And there is an assumed interest rate  
24 calculation. That's --

25                 That's the problem with Brian head.



1 Brianhead currently owes more than what the system  
2 cost, because their payments are not enough to even  
3 cover the interest. And so they keep increasing their  
4 balance and balance. They're not even meeting the  
5 interest payments.

6 If it was a typical loan, I don't know if  
7 we'd foreclose on them or what.

8 The GSS area, there was no interest rate.  
9 It was a -- an assumed rate of return. It was a period  
10 of time required in order for the Company to deem that  
11 it would earn an average rate of return over that  
12 20-year time period. It took 20 years in order for  
13 them to get what they thought would be an 11 percent,  
14 as an average rate of return.

15 But each year that rate built and built and  
16 built, until I think in the 20th year said, Well, by  
17 earning 22 percent, the 20th year, we average all of  
18 these individual sums of individual years and over an  
19 average of 20 years we've got 11 percent.

20 But the problem with the GSS is, is that  
21 rate was built on the assumption that it was a fixed  
22 rate throughout the whole period.

23 Q. So who made the commitment in the EAC areas?

24 A. The individual customers did not make a  
25 commitment. It's just the commitment was put on those



1 communities.

2 Q. So there's no signed agreements between --

3 A. There's no signed agreement.

4 Q. Customers and --

5 A. No signed agreement that the customers will  
6 pay back a certain amount over a period of time.

7 Q. So if the Commission were to determine that  
8 six percent were the appropriate interest rate, could  
9 one view, I guess, in -- in -- in I guess a contra --  
10 contravailing viewpoint that Mr. Ball expressed, that  
11 the rural customers have been subsidizing the urban  
12 customers by 1.8 million a year?

13 A. I --

14 Q. Not that we want to get into the subsidy  
15 issue, because I understand your whole argument about  
16 fairness. But I guess --

17 You don't need to answer that question.

18 CHAIRMAN BOYER: I have a couple.

19 EXAMINATION

20 BY CHAIRMAN BOYER:

21 Q. Most of my questions were just asked by my  
22 colleagues. I wanted to ask that last one as well.

23 If the interest rate were higher than, for  
24 example, cost of funds, then the incremental  
25 difference, would that inure to the benefit of the



1 customers?

2 But we'll let that -- that dog lie.

3 Let's just talk for a moment, though, about  
4 the splitting out of the customers, the residential and  
5 commercial customers in the GS-1 class.

6 And my first question, I guess, is, just in  
7 a nutshell, can you tell me what the down-side, what  
8 are the disadvantages to leaving those two classes of  
9 customers under the same tariff?

10 Is it the DSM issues? Would it be that the  
11 main reason? Is it the convenience of the Company in  
12 collecting taxes? What is the -- what's the down-side  
13 on that change?

14 A. The down-side of not changing. There's  
15 really no down-side in changing.

16 I think there was a desire of -- well,  
17 without getting into subsidy relationships, there's no  
18 down-side in changing.

19 Q. Is there a down-side to not changing?

20 A. No. I think the way the DSM programs are  
21 set up, it -- it kind of makes more sense to try to,  
22 you know, focus your -- if it's really the intent -- in  
23 the Division's opinion, if it's really the intent to  
24 really promote conservation, and energy efficiency, we  
25 feel like we need to have a separation of -- of these





1 classes in order to really focus.

2 Currently the DSM programs are focused on  
3 these two different categories, so to speak.

4 The programs are designed differently. The  
5 rebates are different. Everything is different within  
6 these two programs.

7 And I think others think that it does make  
8 sense to separate the classes, just because there is a  
9 differentiation in use. End use.

10 But, as far as keeping them combined,  
11 there's probably no real good down-side, since we've  
12 been doing that for --

13 Q. A long time?

14 A. A long time, yes.

15 Q. My next question then, is, the current  
16 classification includes both of those types of  
17 customers would use less than 45 decatherms per month,  
18 which is a -- that's a pretty high volume of natural  
19 gas. You'd have to live in a lot larger and warmer  
20 house than I do to use that much.

21 A. It's a lot of gas.

22 Q. Would it -- and we've heard statistics about  
23 how 60 some-odd percent of commercial customers do not  
24 exceed 45.

25 Did anyone look at the rationale of maybe



1 reducing that?

2 I mean, leaving the classes together, but  
3 reducing it to 20 decatherms a month? Or 25? Would  
4 those customers have more -- none of them would get  
5 into the declining -- neither class would get into the  
6 declining rates.

7 Did anyone look at that?

8 A. I don't think -- well, I don't know if the  
9 Company has. I can't answer for them. They -- I think  
10 they basically kept it at 45 decatherms, because that's  
11 what currently exists in the GS-1 tariff. That's where  
12 the block rate break is right now.

13 Q. Okay.

14 Thank you.

15 CHAIRMAN BOYER: Is there any redirect,  
16 Ms. Schmid?

17 MS. SCHMID: There is, but Mr. Barrow --  
18 Barrow has been on the stand for quite a while. I'm  
19 wondering if perhaps we could take our morning break at  
20 this point and then resume.

21 CHAIRMAN BOYER: We can do that if you wish.  
22 I was hoping to finish him before we did, if that -- I  
23 wanted to break around 10:30. So let's take a  
24 ten-minute recess.

25 MS. SCHMID: Thank you.



1 (Whereupon, a break was taken.)

2 CHAIRMAN BOYER: Very well. Let's go back  
3 on the record.

4 Ms. Schmid, you were about to do your  
5 redirect.

6 REDIRECT EXAMINATION

7 BY MS. SCHMID:

8 Q. Thank you very much.

9 Mr. Barrow, Mr. Monson asked you some  
10 questions about some customers subsidizing others. Is  
11 it true that a customer who pays the DSM rider, but  
12 does not take advantage of the DSM incentives,  
13 subsidizes those who do use those programs?

14 A. That's true.

15 Q. Is the goal of DSM programs to reduce the  
16 overall use of gas?

17 A. Yes.

18 Q. Or to reduce the use of gas?

19 A. Yes.

20 Q. So even though DSM programs may involve some  
21 subsidization of individuals by other individuals,  
22 customers, in general, benefit from the programs?

23 A. Well, yes, in the sense that lower gas -- or  
24 less gas is purchased by the Company.

25 Q. Does a volumetric price send a stronger or



1 weaker price signal than a fixed price?

2 A. Well, volumetric price will send a stronger  
3 price signal.

4 Q. Is there a benefit to -- a slight difference  
5 from cost causation to achieve a goal of conservation?

6 A. I'm sorry, would you repeat that again?

7 Q. Cost cause -- matching cost causation and  
8 cost responsibility appears to be one of the regulatory  
9 principles.

10 Is there sometimes a side benefit or any  
11 benefit to encourage conservation from a direct cost  
12 causation methodology?

13 A. Is there a benefit? To encourage  
14 conservation from a cost causation methodology.

15 Q. I'll withdraw the question. I'm obviously  
16 being inartful.

17 Mr. Monson also asked -- or also asked --  
18 Mr. Monson asked you if it was true that none of the  
19 other customers, other than those represented here  
20 today, particularly the AARP, were objecting to the  
21 changes in the basic service fee. Do you recall that?

22 A. I do recall that.

23 Q. Isn't it true, however, that the Division  
24 has the broad responsibility, and in keeping with its  
25 broad responsibility, must take into account the





1 interests of all of the customers, even if they perhaps  
2 are not here?

3 A. That's true.

4 Q. Moving on to questions regarding the split  
5 of the GS class into GSR and GSC.

6 Is it the Division's position that there are  
7 usage differences, or usage timing differences and  
8 things like that, between residential and customer  
9 commercial -- customers -- residential customers and  
10 commercial customers?

11 A. Yes.

12 MS. SCHMID: Just one moment.

13 Q. (BY MS. SCHMID) Mr. Proctor also asked you  
14 some questions about the Division's recommendations  
15 concerning the task force report addressing the split  
16 of the GS class. Do you recall that conversation?

17 A. Vaguely.

18 Q. Seems like a long time ago.

19 Would you accept, subject to check, that in  
20 your testimony, in your rebuttal testimony at lines 273  
21 and 274, you do propose a May 1st, 2009 date for that  
22 report?

23 A. Yes, I accept that.

24 Q. Going -- continuing on the GS class split  
25 into GSR and GSC, isn't it true that in this initial



1 stage there would be no difference if you were  
2 residential or commercial in the first 45 block,  
3 because the prices are the same?

4 A. That's true.

5 Q. Turning now to Mr. Gardner's questions. And  
6 you can laugh at me now, because you usually laugh any  
7 time I try to do math. Mr. Gardner questioned you  
8 about the percentage of commercial customers that would  
9 be in the first block. And if I recall correctly, you  
10 said perhaps approximately 62 percent of the commercial  
11 customers would be in that first block. Was that  
12 correct?

13 A. Yes. Based on last year. A study of 2007's  
14 usage.

15 Q. So if we take 62 from 100, that leaves  
16 38 percent of the commercial customers who won't be in  
17 that first block. Is that correct?

18 A. Right. They'll move into the second block.

19 Q. Okay.

20 Going back to the task force report from  
21 which Mr. Monson asked you some questions, isn't it  
22 true that that report was submitted in 2004?

23 A. Yes.

24 Q. And isn't it true that there was no CET in  
25 2004?



1           A.    Yes.

2                    MS. SCHMID:  Those are all my redirect  
3 questions.  Thank you.

4                    CHAIRMAN BOYER:  Thank you, Ms. Schmid.

5                    I assume you did not have an opportunity to  
6 find the answer to Mr. Ball's question in that brief  
7 recess we had?

8                    THE WITNESS:  Well, yes and no.

9                    The 1.8 million revenue was total including  
10 the IS-4 and the TS customers.

11                   When Mr. Robinson broke that out, he  
12 actually allocated some of those revenues to the IS  
13 class and the transportation class.

14                   And the \$0.67 that we referred to was the  
15 amount that would have actually gone to the residential  
16 class.  There's also a portion that would be to the  
17 commercial class.

18                   CHAIRMAN BOYER:  Does that answer your  
19 question, Mr. Ball?

20                   MR. BALL:  It's helpful, Mr. Chairman, and I  
21 appreciate Mr. Barrow doing that in the recess.  But  
22 what I'm really trying to do is to get some comparable  
23 numbers here.  It's just not possible to compare 1.8  
24 million meaning one thing, and \$0.67 for something  
25 entirely different.



1                   And I would like a direct comparison between  
2 the two, whether it's in terms of the cents for  
3 residential or whether it's in terms of the millions  
4 overall, so that we can see just exactly what happened.  
5 What the difference was between the Division's  
6 calculation and the Company's calculation at a later  
7 date.

8                   CHAIRMAN BOYER: Why don't we do this. I  
9 mean, we're basically talking about a data request that  
10 should have been filed a long time ago. But maybe you  
11 could talk among yourselves off-line. Maybe you could  
12 get that straightened out and see if we're talking  
13 about apples and oranges.

14                   MS. SCHMID: Then would Mr. Barrow be  
15 subject to re-call to the stand and further cross?  
16 Because, again, I object, because that is a data  
17 request that should have been asked when the testimony  
18 was filed long ago.

19                   CHAIRMAN BOYER: But to the extent -- you  
20 know, if it's not too much trouble, if you could at  
21 least talk to Mr. Ball off-line and see if you can come  
22 to an understanding of what actually those numbers  
23 meant, that would be useful. And then if we need to  
24 bring Mr. Barrow back, I assume he'll be here through  
25 the day, and we can bring him back for a few minutes.





1 MS. SCHMID: And I will object.

2 CHAIRMAN BOYER: But I do think you are  
3 asking for something that could have been asked for  
4 earlier on in the case.

5 MR. BALL: With respect, Mr. Chairman I'm  
6 going to point out that the 67 cent didn't come in  
7 until Mr. Barrow's surrebuttal testimony.

8 CHAIRMAN BOYER: But I'm getting a sense  
9 that you don't actually know how to ask your question,  
10 so I'm trying to encourage you to talk off-line and see  
11 if we can come to some consensus about that. If we  
12 need to bring Mr. Barrow back, we'll address that.

13 Mr. Barrow, you may step down. We'll turn  
14 now to the Chairman of Consumer Services.

15 MR. MONSON: Before we do that, I didn't  
16 offer the task force reports, and but I guess it's not  
17 in this docket. So I guess maybe we should put it on  
18 the record, since people have been referring to it.  
19 Could we mark it as --

20 CHAIRMAN BOYER: Shall we call it QGC --

21 MR. MONSON: -- Cross 2?

22 CHAIRMAN BOYER: -- Cross 2.

23 MR. MONSON: Sure.

24 CHAIRMAN BOYER: Are there any objections to  
25 the admission of the task force report dated June 17th,



1 2004, being entered into evidence?

2 MS. SCHMID: None.

3 MR. BALL: No.

4 CHAIRMAN BOYER: Seeing none, it will be  
5 admitted.

6 (Whereupon, Exhibit No. QGC Cross 2  
7 was received.)

8 CHAIRMAN BOYER: And now, back to you,  
9 Mr. Proctor.

10 MR. PROCTOR: Thank you, Mr. Chairman. The  
11 Committee would call Mr. Eric Orton.

12 CHAIRMAN BOYER: Mr. Orton, have you been  
13 sworn in this proceeding?

14 THE WITNESS: I have.

15 CHAIRMAN BOYER: I'll remind you then that  
16 you're still under oath.

17 THE WITNESS: Thanks.

18 ERIC ORTON,  
19 having been previously duly sworn, was examined and  
20 testified as follows:

21 DIRECT EXAMINATION

22 BY MR. PROCTOR:

23 Q. Would you state your name and by whom you're  
24 employed, sir?

25 A. My name is Eric Orton. I'm a staff member



1 of the Committee of Consumer Services.

2 Q. Did you file in this particular docket, two  
3 items of testimony, the first direct testimony, marked  
4 CCS-1D, cost of service/rate design, consisting of 15  
5 pages? And no attachments or exhibits?

6 A. That's right.

7 Q. And did you also file -- and this would have  
8 been October 7th of this year -- CCS-1SC, cost of  
9 service/rate design EO, which is your surrebuttal  
10 testimony? Again, no exhibits?

11 A. That's right.

12 Q. Do you have any changes or corrections to  
13 either of those testimonies?

14 A. I don't.

15 Q. If I were to ask the same questions today as  
16 you answered in your pre-filed written testimony, would  
17 your answers remain the same?

18 A. It would.

19 MR. PROCTOR: Mr. Chairman, the Committee  
20 would move to admit into evidence the testimony  
21 heretofore identified by Mr. Orton.

22 CHAIRMAN BOYER: Are there any objections to  
23 the admission of Mr. Orton's direct and surrebuttal  
24 testimony?

25 Seeing none, they are admitted into



1 evidence.

2 MR. PROCTOR: Thank you, very much.

3 Q. (BY MR. PROCTOR) Mr. Orton, have you  
4 prepared a summary of your testimony?

5 A. I have.

6 Q. Could you provide it, please?

7 A. You bet.

8 My role in this case was as the policy  
9 witness, and to address a few specific issues.

10 Regarding rate design issues in this case,  
11 the Committee recommends that the Commission;

12 Deny the proposed BSF increase and the  
13 declining block rate structure in the proposed QGC  
14 class, since both are contrary to the policy objectives  
15 of conservation;

16 Reject the proposed GS -- split of GS-1  
17 based on sales tax code. Instead, we believe that a  
18 split based on usage would be more appropriate.

19 The Committee is particularly concerned  
20 about an outcome of the split in this case and then a  
21 subsequent change in the customer classes soon  
22 afterwards to correct additional issues that arise.

23 Therefore, the Committee also suggests that  
24 the Commission should -- could provide guidance on the  
25 split of the GS-1 class in this case, requiring





1 solutions to the remaining issues, and delay the actual  
2 split of the class until these solutions are reached.

3 Also, the Committee recommends that the NGV  
4 class rate be increased by \$0.50 --

5 That was used as an approximation to move  
6 half-way to the cost of service -- with the intent of  
7 getting the NGV rate all the way to full cost of  
8 service within a couple of rate cases.

9 In addition, the Committee recommends that  
10 the Company should work with interested parties to  
11 develop an educational fact sheet for distribution to  
12 NGV customers, to ensure that they are educated  
13 regarding the expected magnitude of the rate increases  
14 and the cost of service reasons behind them.

15 We also recommend that the Commission  
16 further examine the NGV rate to eventually resolve  
17 other relevant issues, such as the appropriate level of  
18 investment in the system, the appropriate role of a  
19 regulated utility in the NGV industry, and rates that  
20 are adequate and appropriate to cover all types of  
21 filling stations.

22 In addition to these rate design issue, I  
23 addressed two specific issues;

24 The Committee first recommended that the  
25 Commission order a new distribution plant factor study



1 be done that incorporates all actual costs for the  
2 non-GS-1 categories;

3           However, the Committee supports the  
4 Company's specific proposal presented in rebuttal  
5 testimony to address an updated methodology  
6 incorporating more actual data in the distribution  
7 plant factor study.

8           The Committee also recommends that the  
9 Commission should delete section 7.02 of Questar's  
10 tariff relating to liability and legal remedies because  
11 it is overly broad and onerous to consumers.

12           That concludes my summary.

13           MR. PROCTOR: Mr. Orton is available for  
14 cross-examination.

15           CHAIRMAN BOYER: Very well. Let's start  
16 with the Company.

17           Mr. Monson?

18           MR. MONSON: Thank you.

19                           CROSS EXAMINATION

20 BY MR. MONSON:

21           Q. Mr. Orton, let's get a couple of minor  
22 issues out of the way right up front.

23                   In your surrebuttal testimony you talk about  
24 the sample size used in the -- in the distribution  
25 plant factor study.



1 A. Yes.

2 Q. And you -- you do make the comment, Sampling  
3 is not as accurate as actual results. Right?

4 A. That's true.

5 Q. Are you, in talking about the sample and  
6 the -- actually the study, are you purporting to be a  
7 person with training and expertise in statistics, and  
8 sampling, and all of those kind of things?

9 A. I never liked all of those kind of things in  
10 graduate school. I'm not an expert --

11 Q. Okay.

12 A. -- in statistics.

13 Q. You also have a recommendation that the  
14 Company remove a -- what we can call the liability  
15 provision in its tariff. Is that right?

16 A. I do.

17 Q. And you say in your testimony, in your  
18 surrebuttal, that the Committee believes there are  
19 legal barriers to a regulated conditioning service.

20 Are you holding yourself out as someone who  
21 can provide an expert opinion on legal barriers?

22 A. I am not.

23 Q. Thank you.

24 Now, the Committee represents residential  
25 and small commercial customers. Right?



1 A. That's true.

2 Q. Do you know how the definition of small  
3 commercial customers fits within the things we've been  
4 discussing in this case, in terms of usage?

5 A. In terms of usage? How they fit in?

6 Q. Yeah.

7 A. There's a lot of variables in the statute.  
8 I recall the legislature implied -- or said that our  
9 small commercial, as I recall, 25 employees, or a  
10 million dollars or less, in gross revenue a year is how  
11 that fits into revenues. I mean into volumes. I don't  
12 know.

13 Q. Okay.

14 So -- so I was just trying to see if we  
15 could assume that the 63 percent or so of the customers  
16 that use less than 45 decatherms are probably your  
17 principal.

18 A. I would assume that, but I don't know for  
19 sure.

20 Q. Okay.

21 You state, in your surrebuttal testimony,  
22 that this -- and this is on lines 126 to 129, if you  
23 want to look at it.

24 That the setting of rates would be simple,  
25 and the PSC would have little to do other than verify





1 the numbers if costs curves were the only consideration  
2 when setting rates. Do you recall that?

3 A. I do.

4 Q. What does a cost suffer show?

5 A. Well, what it's purported to show -- did I  
6 turn that off? What it is purported to show, I  
7 haven't done any sort of back up, I'm just relying on  
8 what my recollection of Dr. Johnson and the Company's  
9 testimony is -- a relative cost to serve a customer as  
10 in -- as volumes increase.

11 Q. Okay.

12 So it shows that what the costs per unit,  
13 per decatherm would be, as a customer consumes more  
14 volumes? Is that --

15 A. It's clear.

16 Q. Is that what you said?

17 A. Yes.

18 Q. Okay.

19 So if you design a rate based on the cost  
20 curve, you would design a rate, assuming that the cost  
21 per decatherm decreases as more volumes are consumed  
22 than you would have -- you designed a rate using a  
23 declining block rate. Is that right?

24 A. If that was your only criteria, that's how  
25 you'd do it.



1 Q. Okay.

2 You say in your surrebuttal testimony that  
3 the FT rate is not based on a cost curve.

4 A. That's true.

5 Q. Okay. When you say that, are you referring  
6 to the FT-1 or FT-2?

7 A. I was referring to the neg -- the bypass  
8 program rate. I think it's FT-1.

9 Q. Do you know whether or not that rate was  
10 originally designed based upon a cost curve?

11 A. I have no idea how it was originally  
12 designed.

13 Q. You also say the CET tariff is not based on  
14 cost curves. Do you recall that?

15 A. That's right.

16 Q. Are you referring to the allowed revenue  
17 amount, or the unamortization of the CET balance?

18 A. The CET is to collect revenues, and that's  
19 how it was designed.

20 Q. So you're talking about the amortization to  
21 balance?

22 A. Those issues, yes.

23 Q. Okay.

24 Are you aware that the CET amortization does  
25 have blocks, declining blocks in it?



1 A. I don't remember.

2 Q. So if it does, would it be based on a cost  
3 curve?

4 A. Well, the CET amort -- the CET rate, in the  
5 tariff, is based on -- those dollar amounts are based  
6 on the Company getting their revenue requirement  
7 divided by customers. That was my point there.

8 Q. Okay. But we don't bill those to customers.  
9 Right? We don't bill the allowed amounts.

10 A. Well, that's what the amortization makes up.

11 Q. The amortization makes up the difference  
12 between what -- what -- what were the allowed amounts  
13 and the amount actually used. Right?

14 A. Right.

15 Q. For the whole class.

16 A. Right.

17 Q. And when we spread that out among customers,  
18 we do it on a declining block basis, don't we?

19 A. Currently, you do.

20 Q. Okay.

21 You say in your surrebuttal testimony that  
22 having declining block rates for general service  
23 commercial, but not having declining block rates for  
24 general service residential, is discriminatory.

25 A. That's right. I do.



1 Q. But you dis -- and you disagree with the  
2 Division's argument that that discrimination is fair  
3 because it's a result of lifestyle choices.

4 A. That's true. I do.

5 Q. So are you suggesting that the GSR class  
6 should also have a declining block rate?

7 A. No.

8 Q. You say that many aspects of usage, such as  
9 load shade and load factor, need to be evaluated in  
10 properly assessing rate design. Is that right?

11 A. That's true.

12 Q. And you say, However, none of these factors  
13 are incorporated into the Division's or the Company's  
14 current proposal. Do you recall that?

15 A. That's true.

16 Q. Have you provided any evidence that they  
17 weren't considered?

18 A. No. My basis of that was that a split was  
19 based on the sales tax code. That's where that came  
20 from. The split is based on the sales tax code, not on  
21 those issues to do with volume.

22 Q. Okay. But don't the -- don't the GSR and  
23 GSC classes have summer/winter differentials in them?

24 A. Oh, they do have. But the division of  
25 those, between commercial and residential, is based on





1 the sales tax code.

2 Q. Okay.

3 A. And that's what I was referring to.

4 Q. Okay. So you weren't referring to the -- to  
5 the proposed rates, you were referring just to the  
6 division of the classes?

7 A. Yes. That's right.

8 Q. All right.

9 Okay. And a lot of questions have arisen in  
10 this case about this split of classes based on the  
11 customers self-designation of whether they're  
12 residential or commercial. Right?

13 A. That's true.

14 Q. Is the Committee's position that the Company  
15 shouldn't accept the statements of the customers, that  
16 it largely represents, as to whether or not they're  
17 residential or commercial users?

18 A. I don't believe I said that.

19 Q. Would that be the Committee's position?

20 A. The Committee's position is that it's not  
21 verified.

22 Q. So we shouldn't accept --

23 A. Whether it's possible --

24 Q. I'm sorry?

25 A. I'm sorry.



1 Q. Go ahead.

2 A. I was just going to say it's a possibility  
3 that the information is not absolutely accurate.

4 Q. So you're saying we shouldn't accept their  
5 statements?

6 A. I'm saying it's not verified.

7 Q. Is there any reason to verify it if we  
8 accept their statements?

9 A. If you accept their statements, is there  
10 any --

11 So you're saying if you believe them is  
12 there any reason to check them?

13 Q. That's right.

14 A. That wouldn't make sense.

15 Q. Okay.

16 And do you -- and do you know whether or not  
17 the Company representatives do -- do -- if someone  
18 calls in and gives a business name, but says they're  
19 residential, do you think the Company just accepts that  
20 at face value? Do you know?

21 A. I don't know that they do.

22 Q. Okay.

23 You say that declining block rates are  
24 inappropriate in a regulatory climate that emphasizes  
25 conservation.



1 A. Right. I think those are counter-intuitive.

2 Q. So you believe that declining block rates  
3 encourage customers to use more gas?

4 A. It can.

5 Q. You're a customer of Questar Gas, I assume?

6 A. I am.

7 Q. And you're a GS-1 customer?

8 A. I am.

9 Q. So you're in a class that has a declining  
10 block rate.

11 A. I am.

12 Q. Let's assume you're a typical customer in  
13 that class, and that you use about 21 decatherms a  
14 month in the winter.

15 Do you know how much you use in the winter?

16 A. A lot more than I should.

17 Q. Okay.

18 Does the fact that you're in a declining  
19 block rate class encourage you to use more gas?

20 A. It does not encourage me. I'm not in the 45  
21 break level.

22 Q. Okay.

23 Let's assume that you were near the 45 break  
24 level. Would you benefit by using one more decatherm  
25 of gas to get into the 46 level?



1           A.    If I were a residential at the 46, it would  
2 cost me more than if I were a commercial at the 46.

3           Q.    You're saying under the proposed --

4           A.    Under the proposed, that's right.

5           Q.    Okay. Under the current class, let's assume  
6 you're a residential customer and that you're using 45  
7 decatherms a month. Do you have any incentive to use  
8 46 just because the last one costs you less than the  
9 rest?

10          A.    I don't.

11          Q.    Okay.

12                And, on the flip side, don't you have every  
13 incentive to decrease your usage even though there is a  
14 declining block rate?

15          A.    The incentive would be, I have incentive to  
16 decrease my usage, to answer your question directly.

17                If it were a flat block rate, I would have  
18 more incentive; if it were inclining, I'd have even  
19 greater incentive.

20          Q.    If you're in the lowest block, you don't  
21 have any incentive, because it's an inclining block, do  
22 you?

23          A.    If I'm in the lowest block?

24                That would depend on where the block split.

25          Q.    Okay.





1           Okay. Now, you also talked about the fact  
2 that maybe a better way to split this class up is based  
3 on volumes.

4           A. That's right.

5           Q. Let's assume that we did split it up, based  
6 on 100 decatherms. People below 100 were in one class,  
7 and people above 100 were in another class.

8           A. Okay.

9           Q. Okay? Let's assume that you're in that  
10 class, and that you use --

11          A. I'm in the under 100.

12          Q. Yeah. You use 99 decatherms.

13          A. Okay. I didn't mean to interrupt you.

14          Q. No, that's okay.

15                 So you -- you use 99 decatherms. Okay?

16                 So you're in the lower -- you're in the  
17 smaller class. The -- excuse me. The lower usage  
18 class.

19                 Okay. And it's not a block rate. It's two  
20 separate classes now.

21          A. Okay. So I'm in the class that uses under  
22 100 decatherms.

23          Q. Right.

24          A. A month.

25          Q. Okay. But you're using 99.



1 A. Okay.

2 Q. Okay? All right.

3 Now, do you -- don't you assume that the  
4 rate for the per decatherm in the under 100 class is  
5 going to be much higher than the rate per decatherm in  
6 the over 100 class?

7 A. Well, that's a quantity discount that I was  
8 talking about.

9 Q. But if you're setting rates based on cost of  
10 service, aren't you going to have to set a lower rate  
11 for customers that use more than 100 decatherms? It  
12 might be flat or declining block, but it's going to be  
13 lower. Right?

14 A. If you were relying totally on the cost  
15 curves, then the greater the volume, the lower the  
16 price.

17 Q. Right. And so if you were a customer using  
18 99 decatherms, you might be able to lower your total  
19 bill by using two more decatherms a month. Is that  
20 right?

21 A. That's right. Division had that in their  
22 testimony.

23 Q. So you would have an incentive, then, to use  
24 more gas under the structure that the Committee's  
25 proposing.



1           A.    I would have an incentive to use more gas,  
2 because I would go to a different rate scheduling.

3           Q.    Right.

4           A.    If it were a lower rate schedule, that could  
5 be true.

6           Q.    Okay.

7                    In the Company's proposal, small commercial  
8 customers who use less than 45 will have the same rate  
9 as residential customers --

10          A.    Residential.

11          Q.    -- right?

12                   And do you accept that -- that that covers  
13 about 63 percent, or the numbers we've heard tossed  
14 around of the commercial?

15          A.    Yeah.

16          Q.    So -- so when you're concerned about  
17 declining block rates in the GSC class, you're  
18 concerned about customers that the Committee largely  
19 doesn't represent.

20          A.    Well --

21          Q.    Is that right?

22          A.    That that is not the majority. That  
23 customers using over 45 decatherms a month is not the  
24 majority.

25          Q.    And they're probably also --



1 A. Is that what you're asking?

2 Q. Yeah. And there are probably also larger  
3 customers that the Committee doesn't represent. Right?

4 A. Or people whose windows don't close, or  
5 don't have insulation.

6 I don't know who they are, is my point.

7 Q. Well, we know that one percent, one to two  
8 percent of the residential customers?

9 A. That's what I've heard.

10 Q. Are over 45. But they're not in the  
11 commercial class. I'm talking about the commercial  
12 class.

13 A. Oh, I'm sorry. I thought you were talking  
14 about the residential.

15 Q. So we're talking about, now, the commercial  
16 class, and we know about 63 percent?

17 A. Those that use over 45 decatherms.

18 Q. Right. Those probably, at -- I mean, we  
19 don't know for sure where the Committee's line is  
20 drawn, based on usage, but we agreed earlier that  
21 probably most of the Committee's customers are in the  
22 group that use less than 45. Right?

23 A. I think that would be accurate.

24 Q. So when you -- when you're concerned about a  
25 declining block rate, in that class, you're concerned





1 about customers that the Committee doesn't represent.

2 Is that right?

3 A. Specifically we are concerned about  
4 demand-side management and conservation, which everyone  
5 that pays gas --

6 Right.

7 Q. Okay.

8 A. That --

9 Q. You state that grouping small commercial  
10 customers with extremely large customers creates  
11 inequities in the potential to manage natural gas  
12 usage, and the resulting -- resulting rate impacts due  
13 to the CET. Do you recall that?

14 A. I do.

15 Q. That would only be the case if large  
16 commercial customers have greater opportunities for  
17 conservation than small customers. Is that right?

18 A. As an absolute amount, I think that's right.

19 Q. Well, or proportionately?

20 A. I don't know that you could tell  
21 proportionately. As a percentage wise.

22 Q. What I mean by proportionately is if a  
23 customer uses 20 decatherms, a small customer and a  
24 large customer uses a thousand decatherms, we don't  
25 know whether or not the smaller customer has just as



1 much ability to reduce its usage by five percent as the  
2 larger customer.

3 A. That was the point I was trying to make.

4 Q. Okay. All right.

5 And even at -- even assuming a large  
6 customer does have a greater ability, just for the sake  
7 of discussion, if they --

8 A. Greater -- I'm sorry. A greater ability to.

9 Q. To conserve?

10 A. To conserve.

11 Q. Right.

12 A. On an absolutely amount, not a percentage.

13 Q. Either way.

14 A. That's a -- okay.

15 Q. Either way?

16 A. So assuming they have a greater ability to  
17 conserve.

18 Q. Than a smaller customer.

19 A. Okay.

20 Q. Their conservation will be in the -- in the  
21 tail block. Right?

22 A. You would presume that most of it would be  
23 there. It's possible it could get to the other block.

24 Q. Okay.

25 So, assuming it's in the tail block, their



1 conservation and potential savings to the CET -- in the  
2 CET amortization will be smaller than the amount  
3 attributable to the -- to the rest of the rate class.

4 Is that right? Since it's a declining block?

5 A. Their amount of -- would you say that again?

6 Q. The -- since their conservation is going to  
7 be -- we're going to assume it's in the tail block.

8 A. Okay.

9 Q. So the reduction they receive as a result of  
10 the amortization of the CET balance --

11 A. Oh.

12 Q. -- is going to be less, because it's in the  
13 tail block.

14 A. Proportionately.

15 Q. Okay.

16 You'd want the Commission to defer the split  
17 of the class for further study. The GS-1 class.

18 Right?

19 A. (Witness nods.) That's right.

20 Q. And you characterized a division now as  
21 hasty. Do you remember that?

22 A. I do remember that.

23 Q. Okay.

24 Do you believe that an 18-month task force  
25 is hasty?



1           A.    That 18-month task force did not have the  
2 sole objective of determining the GSC/GSR split.

3           Q.    Do you believe that the ten-month process  
4 we've gone through in this case is hasty?

5           A.    If you're talking about the entire  
6 regulatory process as hasty, I don't believe it would  
7 be called hasty. I believe making a decision once,  
8 because you want to make a second decision to better  
9 refine it rather than taking the time to make the  
10 decision correctly, taking more time, could be referred  
11 to as hasty.

12          Q.    Okay. You were a participant in the task  
13 force meetings?

14          A.    I was.

15          Q.    Were the parties able to reach agreement on  
16 how this split ought to take place?

17          A.    No.

18          Q.    Have they changed their position since the  
19 task force?

20          A.    "They," the parties?

21          Q.    The parties that participated in the task  
22 force, have they changed their positions on how this  
23 split ought to take place?

24          A.    I don't remember there being party positions  
25 in that split.





1 Q. Okay. I just asked you if they agreed on  
2 how to do it.

3 And that's what I'm referring to. Have  
4 they changed their positions on how to do it?

5 A. On disagreeing to a particular way to do it?

6 Q. (Nodding.)

7 A. I don't believe they all agree, the members  
8 of that task force, in a particular way, to split the  
9 residential and commercial customers.

10 Q. Do you think it's likely that with further  
11 discussion the parties will somehow come to some  
12 agreement as to how to do this?

13 A. It's possible.

14 Q. But it hasn't happened over an 18-month task  
15 force?

16 A. It didn't happen. Nor were they  
17 particularly focused on that issue during that  
18 18 months.

19 Q. And it hasn't happened over a ten-month  
20 history in this case?

21 A. Nor have we tried to.

22 Q. So -- so why do you believe it will happen  
23 in the next three to four months? If we defer this  
24 decision?

25 A. Because it could be a focused task force to



1 obtain that one objective. I think it could happen.

2 Q. Okay. Thank you.

3 MR. MONSON: That's all.

4 CHAIRMAN BOYER: Okay. Thank you,

5 Mr. Monson. Turn now to Ms. Schmid?

6 MS. SCHMID: Thank you.

7 CROSS EXAMINATION

8 BY MS. SCHMID:

9 Q. Mr. Orton, I just have a couple of  
10 questions. Mr. Orton, have you been present for all or  
11 most of this morning's proceedings?

12 A. I certainly have.

13 Q. So you have heard some of the hypotheticals  
14 posited by counsel concerning a non-profit  
15 organization, a daycare, and a residence. Is that  
16 correct?

17 A. I've heard that. And I couldn't recall it.

18 Q. For purposes of the next few questions,  
19 let's set some hypotheticals in your mind and in our  
20 minds.

21 One entity is a non-profit, where people --  
22 to use Mr. Proctor's example -- work 8:00 to 5:00. No  
23 one stays overnight.

24 To use another example, you have a family of  
25 six, where, let's, for our purposes, say that they are



1 gone during the day and they're at home at night.

2 A. Okay.

3 Q. So we have commercial and we have a  
4 residence.

5 Could you please turn to your surrebuttal  
6 testimony, lines 151 through 161?

7 A. I have it.

8 Q. If we pay particular attention to lines 159  
9 and 160, you state, Since the new -- or I'll have you  
10 read it. Could you just read those three lines?

11 A. Sentence that begins with since?

12 Q. Yeah.

13 A. Since the new GSC class has declining block  
14 rates and the new GSR class does not,  
15 similarly-situated customers will be treated  
16 differently.

17 Q. Is it your position, then, that a commercial  
18 customer is situated similarly with a residential  
19 customer based merely on volumes?

20 A. If that same customer is using over 45  
21 decatherms, they would be charged differently if they  
22 were commercial rather than they were residential, yes,  
23 ma'am. Yes.

24 Q. So you are saying that volumes are the only  
25 reason they are similarly situated?



1           That usage, such as use during the day, or  
2 ability to turn the thermostat down and you and your  
3 family freeze, or in my case we all wear sweaters, is  
4 different -- is no different than a commercial business  
5 that has to stay open and entertain the public and is  
6 expected to have a comfortable setting?

7           What a question. I'm sorry. Would you like  
8 me to break it down?

9           A. I would. Please.

10          Q. Okay.

11          Given that we have our two scenarios, we  
12 have the non-profit?

13          A. And the residential.

14          Q. And the residential.

15          Can -- or let's go for a third. Let's go  
16 for a small business that produces widgets.

17          A. Always my favorite.

18          Q. Always my favorite too. Do you know what a  
19 widget is?

20          A. No.

21          Q. I don't either.

22          So is it likely that the manufacturer that  
23 produces widgets must use a more constant flow of gas  
24 than the person that relies upon gas to space heat  
25 one's home?





1           A.    It's possible he does.  It's -- I don't  
2 believe that it's a must.

3           Q.    Okay.

4           MS. SCHMID:  That's all.

5           CHAIRMAN BOYER:  Okay.  Thank you,  
6 Ms. Schmid.

7           Mr. Gardner?  Any cross-examination?

8           MR. GARDNER:  No cross-examination.

9           CHAIRMAN BOYER:  Mr. Dodge, any questions  
10 for Mr. Orton?

11          MR. DODGE:  Just a couple very quick.

12                            CROSS EXAMINATION

13          BY MR. DODGE:

14           Q.    Mr. Orton, is it the Committee's -- the  
15 Committee's position reject the split between  
16 residential and commercial.  Correct?

17           A.    Based on sales tax code.

18           Q.    Is it not the recommendation not to do it at  
19 all in this docket?  To study this further?  What's  
20 your primary recommendation?

21           A.    I think that's -- it might be easier for me  
22 to read it, rather than to try to verbalize it and make  
23 something incorrect.

24                            The Committee does not support the hasty --  
25 thanks to Mr. Monson's pointing out that term.



1 Division Committee recommends that the Commission  
2 provide guidance on the split of the GS-1, in this  
3 case, requiring solutions to the remaining issues.  
4 Yes.

5 Q. So if the Commission accepts your  
6 recommendation, is it the further recommendation of the  
7 Committee that the existing declining block rate and  
8 the GS-1 class be removed, in this case?

9 A. That it be removed in this case?

10 Q. Yes.

11 A. I don't know that I addressed that. I don't  
12 know --

13 Q. No, I don't think you did, and I guess I'm  
14 asking you.

15 If you're asking that the split not take  
16 place, but you've opposed declining block for  
17 commercial, are you also saying therefore they should  
18 remove the declining block in the existing rate  
19 structure?

20 A. Since I didn't say it, and if I were to say  
21 it, is that kind of what you're --

22 Q. Well, you're not recommending that. Is that  
23 what you've said?

24 A. We're not.

25 Q. Okay. Let's go then, if the Commission does



1 accept the split that's been recommended.

2 A. Okay.

3 Q. And -- or even the one that you recommended,  
4 100 decatherms. You do recommend that the declining  
5 block rate in the commercial part of the rate be  
6 eliminated. Correct?

7 A. That's true. Declining block rates in  
8 general are opposed to conservation, we believe.

9 Q. And you understand, of course, that if the  
10 declining block rate in the commercial element of the  
11 rate were removed, there would be a tremendous shift in  
12 cost responsibility from the very large users to the  
13 very small users, that you represent. Is that  
14 basically your understanding?

15 A. Would you say that again? There would be a  
16 very large shift?

17 Q. Shift in cost responsibility from the very  
18 large users, that today get the benefit of a declining  
19 block to reflect actual costs, you want to remove that  
20 and make the large users pay a much larger share?

21 A. Oh, they would pay a higher share, because  
22 the block would not be declining.

23 Q. Right. And so there would be a large shift  
24 in cost responsibility from large users to small users.  
25 Correct?



1 A. I don't know.

2 Q. How could it not be that?

3 A. I don't know how it would be or wouldn't be.

4 Maybe I'm missing some.

5 Q. If today --

6 A. Cost responsibility.

7 Q. In other words, their rates would go up.

8 A. The smaller customers' rates would go up.

9 Q. Would go down, and the larger customers  
10 would go up.

11 A. Oh. That's what I was trying to get to with  
12 my answer of the straight.

13 Q. And that's what I meant by a shift in cost  
14 responsibility.

15 A. Okay.

16 Q. The overall rate would go down, would it  
17 not? In the first block?

18 A. Proportionately, you would think so.

19 Q. Wouldn't that --

20 A. I haven't figured it out though.

21 Q. Well, let's just think out loud.

22 If I just make up numbers. If the first  
23 block is ten, and the second block is five, and you  
24 eliminate the second block.

25 A. That would make it den.





1 Q. The ten is going to go down. Right?

2 A. You would think so.

3 Q. Well, it would have to?

4 A. Mathematically? Algebraically.

5 Q. Algebraically it would have to go down. So  
6 the ten would go down. If you assume usage is half and  
7 half, it would go down to 7.5.

8 A. That's what you would assume.

9 Q. That's going to encourage usage --

10 A. Encourage usage.

11 Q. -- in the lower blocks, because their rate  
12 has gone from ten to 7.5.

13 Don't like encouraging usage. That would do  
14 it, wouldn't it?

15 A. I don't know that it would.

16 Q. I thought you said any time the price goes  
17 down it encourages consumption?

18 A. Did I?

19 Q. Did you not?

20 A. I don't remember saying that.

21 Q. What was the basis --

22 A. Any time the price goes down it encourages  
23 consumption.

24 Q. Yeah. What was the basis for opposing the  
25 declining block rate if not that reducing prices



1 encourages consumption?

2 A. Oh, if you buy more of a product, the price  
3 would go down. And that might encourage you to buy  
4 more.

5 But as a regular residential person, if my  
6 rates went from whatever they are now down, I wouldn't  
7 leave the windows open.

8 Q. But if you accept the premise that lowering  
9 the rate encourages consumption, that would cause a  
10 lower rate in the first block.

11 A. Oh, if you accept that any time a rate is  
12 lower, consumption would go up, then that would be  
13 true.

14 Q. Is your -- is your zeal for conservation  
15 only aimed at customers that you don't represent?

16 A. My zeal for conservation -- thank you for  
17 saying I have a zeal.

18 Q. Well, I accept that. At least for some  
19 customers.

20 A. It would be for everyone individually, as  
21 well as collectively, to lower the total usage. That's  
22 what the DSM programs are designed to do.

23 Q. So if the Committee has that zeal, I assume  
24 then you would support a program that really targeted  
25 the average residential user. Let's say their usage is



1 20. What if we had a 15 decatherm inclining block rate  
2 that doubled the commodity portion of the rate at 15  
3 decatherms. Would the Committee support that to  
4 encourage conservation?

5 A. That would certainly increase it. I don't  
6 know that they would support it, but I don't know what  
7 the Committee would decide. But theoretically, if  
8 everybody's decatherm doubled, it would incredibly  
9 encourage conservation.

10 Q. I guess my point is --

11 A. At some point.

12 Q. In this docket you haven't proposed anything  
13 to customers you represent, only for others, in a way  
14 that would create a tremendous cost shift. Correct?

15 A. We haven't done anything to encourage  
16 conservation in this docket for people other than those  
17 that we presumably don't represent, according to --

18 Q. Correct?

19 A. -- Mr. Monson.

20 We haven't done anything to encourage  
21 conservation. I think that's accurate.

22 MR. DODGE: Okay. Thank you. No further  
23 questions.

24 CHAIRMAN BOYER: Thank you, Mr. Dodge.

25 Mr. Ball, do you have questions for



1 Mr. Orton?

2 MR. BALL: Just one or two, chairman, thank  
3 you.

4 CROSS EXAMINATION

5 BY MR. BALL:

6 Q. I'm -- as a side note, I really want to ask  
7 Mr. Orton what color the Committee's zeal is. Is it a  
8 vibrant pink or a cool blue? But since he didn't  
9 actually testify about that, I'll refrain.

10 Mr. Orton, am I right in thinking that the  
11 GS-1 rate is intended for space and water heating only?

12 A. Space and water heating only? Mainly, I  
13 think would be accurate.

14 But it could also be used for heating food,  
15 or fireplaces, or barbecues, or --

16 Q. If, in my process, as a widget manufacturer,  
17 I need to use gas as part of the manufacturing process.  
18 Let's say that some kind of furnace, some kind of --  
19 oh, I don't know, some kind of forge is necessary.

20 A. Okay.

21 Q. I'd need to buy the gas for that through a  
22 different meter at a different rate, wouldn't I?

23 A. I'm not certain.

24 Q. Okay.

25 MR. BALL: Thank you very much. I'm done,





1 chairman.

2 CHAIRMAN BOYER: Thank you, Mr. Ball.

3 Let's see if the Commission has questions.

4 Mr. Allen?

5 Mr. Campbell.

6 EXAMINATION

7 BY COMMISSIONER CAMPBELL:

8 Q. I really have just one, and it relates to  
9 this concept of conservation and how it plays into us  
10 setting rates.

11 Conservation. Would you believe  
12 conservation is one element, I guess looked at when you  
13 set rates?

14 A. Certainly.

15 Q. And certainly the cost of service is another  
16 element?

17 A. Certainly.

18 Q. How do you weigh those?

19 And do you give ten percent of weight to  
20 conservation, or are you giving 90 percent weight to  
21 conservation? Do you have a sense?

22 A. I haven't thought about that. I don't know  
23 what the proportional weighting should be.

24 CHAIRMAN BOYER: Okay. Commissioner

25 Campbell stole my question again. I was going to frame



1 it in terms of a hierarchy, because there does appear  
2 to be some friction between the two concepts, the  
3 principal of cost causation and this laudable, lovely  
4 goal of conservation.

5 Mr. Proctor, any redirect?

6 MR. PROCTOR: Yes, thank you.

7 May I approach, Mr. Chairman?

8 CHAIRMAN BOYER: You may.

9 REDIRECT EXAMINATION

10 BY MR. PROCTOR:

11 Q. Mr. Orton, I'm going to provide you a  
12 document that you, in fact, provided to me, and that is  
13 Questar Gas Company's gas tariff page 11-1 through  
14 11-10.

15 MR. GARDNER: The glossary?

16 MR. PROCTOR: The glossary, yes, sir.

17 Q. (BY MR. PROCTOR) Could you look at the  
18 definition of a commercial customer that is contained  
19 in Questar Gas's tariff's?

20 A. I found it.

21 Q. Would you read it, please?

22 A. Commercial customer.

23 Type of customer using natural gas service  
24 for space heating, air conditioning, water heating,  
25 clothes drying, cooking, or other applications in



1 either a place of business engaged primarily in the  
2 sale of goods -- or goods or services, paren, including  
3 educational and healthcare institutions, local, state,  
4 and federal government agencies, et cetera, closed  
5 paren, or master meter rental property.

6 Q. Could you also read the definition of  
7 industrial user?

8 A. Industrial customer.

9 Q. Industrial customer. Pardon me.

10 A. Type of customer using natural gas service  
11 primarily for purpose which creates or changes raw or  
12 unfinished materials into another form or product,  
13 including the generation of electricity.

14 Q. And finally, a residential customer as  
15 defined by Questar in its tariff.

16 CHAIRMAN BOYER: Mr. Proctor, would you  
17 slide your mic a little more?

18 MR. PROCTOR: Turning it on might help too.

19 CHAIRMAN BOYER: Turning it on might help  
20 too.

21 MR. PROCTOR: Did you get the question?

22 THE WITNESS: Residential customer.

23 Customer using natural gas service for space heating,  
24 air conditioning, water heating, clothes drying, or  
25 cooking, in a personal residence such as a home, an



1 apartment, or a condominium.

2 Q. (BY MR. PROCTOR) Do any of those  
3 definitions -- well, obviously none of those  
4 definitions contain any reference to a definition in  
5 the Utah sales tax law that defines those same  
6 residential/industrial/commercial users, does it?

7 A. That's true.

8 Q. Are you familiar with the sales tax laws'  
9 definition of those three categories?

10 A. I am not.

11 Q. In response to Mr. Dodge's questions, I just  
12 want to clarify a couple of things.

13 As the Committee's policy witness in  
14 particular, does the Committee draw distraction between  
15 a reduced incentive to conserve as different from an  
16 encouragement for greater use?

17 A. Do we draw a distinction between --

18 Would you say that again?

19 Q. A reduced incentive to conserve versus an  
20 encouragement of greater use?

21 A. I'm not certain.

22 MR. PROCTOR: I have nothing further. Thank  
23 you.

24 CHAIRMAN BOYER: Okay. Good.

25 With respect to Mr. Ball's question, and I





1 don't want to -- I don't think Mr. Ball needs my help,  
2 but I think he's multiplied the \$0.67 times the number  
3 of customers in the product and unequal to that number.  
4 I think that's the reconciliation you're looking for?  
5 Is it not?

6 MR. BALL: I'm just trying to square how I  
7 should relate the direct testimony statement of 1.8  
8 million with the surrebuttal statement of \$0.67.

9 And to answer your supposition, I have not  
10 multiplied \$0.67 by anything at all.

11 CHAIRMAN BOYER: Okay. I wasn't helpful at  
12 all then. So I still encourage you to talk.

13 MR. PROCTOR: May Mr. Orton be excused?

14 CHAIRMAN BOYER: Yes.

15 I'm going to recess as a matter of fact now  
16 for lunch, even though it's a little earlier.

17 Unless you want to do -- we could put a  
18 summary on. Dr. Dismukes, if you'd like.

19 MR. PROCTOR: I think we should. If it's  
20 okay with you.

21 CHAIRMAN BOYER: Very well. Let's do that.

22 Mr. Orton, you may step down. Thank you  
23 very much.

24 Okay. We'll hear Dr. Dismukes' summary and  
25 then we'll recess for lunch.



1 Dr. Dismukes?

2 THE WITNESS: I have not been sworn.

3 CHAIRMAN BOYER: You have not been sworn in  
4 this case. I've seen you before, but not in this case.

5 DAVID E. DISMUKES,  
6 having first been duly sworn, was examined and testified  
7 as follows:

8 MR. PROCTOR: May I conduct it while I pass?

9 CHAIRMAN BOYER: Please do. Speak loudly.

10 DIRECT EXAMINATION

11 BY MR. PROCTOR:

12 Q. Dr. Dismukes, would you state your name and  
13 by whom you're employed?

14 A. My name is David E. Dismukes. I'm a  
15 consultant for the Committee Consumer Services.

16 Q. Dr. Dismukes, you have testified previously  
17 before this Commission, and your involvement in the  
18 utility rate industry is -- is noted on attachment one  
19 to your direct testimony. Correct?

20 A. Yes, sir, it is.

21 Q. And have you been qualified as an expert  
22 witness before this Commission and other public utility  
23 commissions throughout the country?

24 A. Yes, I have.

25 Q. Dr. Dismukes, on behalf of the Company, did



1 you file the following testimony, pre-filed written  
2 testimony, direct testimony, consisting of 62 pages,  
3 and Exhibits 51 -- 5.1 through 5.11? That is a number  
4 CCS-5D Dismukes, cost of service/rate design. And  
5 rebuttal testimony, filed September 22nd of this year,  
6 CCS-5R, Dismukes, without exhibits? And finally,  
7 surrebuttal testimony, filed October 7th, consisting of  
8 21 pages, marked CCS-5SR, Dismukes, cost of service,  
9 and Exhibit SR CCS 5.1.

10 A. Yes, sir, I did.

11 Q. Do you have any corrections or changes to  
12 make to any of those particular parts of the testimony?

13 A. Yes, sir, I have two corrections to make of  
14 the -- one to my direct and one to my surrebuttal.

15 There is a correction from lines 615 to 618  
16 of my direct, continued on 623 to 624, as well as from  
17 lines 629 to 635.

18 And these have to do with the -- one of the  
19 expense factors that I recommend in my direct  
20 testimony.

21 The testimony inadvertently said 75 percent  
22 operations and maintenance expense and a 25 percent  
23 distribution throughput factor, and actually, the  
24 number that was used in there was the weighted average  
25 of the total O&M expenses in customer service and



1 information expenses.

2 That was in the final workpaper. That was  
3 what the numbers were calculated on. That was what was  
4 provided in the cost of service study that was given to  
5 the Company and made available to everybody else.

6 It's just that this text was wrong, and so  
7 this text needs to be changed. And some of the numbers  
8 at the bottom need to be changed in terms of  
9 highlighting the incremental differences in the overall  
10 cost of service results.

11 Q. And you have also -- we've handed these  
12 corrections out, and there are also changes that you  
13 have made to CCS 5.2 at page one of one, six of ten,  
14 and five of ten. Is that correct?

15 A. That's right. In order to look at the  
16 incremental changes in CCS-5.2, those numbers need to  
17 change. But you'll notice the bottom line numbers do  
18 not change.

19 And then I've just changed the allocation  
20 factors that were outlined in the exhibit to correct  
21 those text changes.

22 Q. Okay.

23 You also said that you had a correction or a  
24 change to your surrebuttal testimony?

25 A. It was just a minor change on that, and that





1 is, in the text, I think in two or three different  
2 places it refers to recommendations on large diameter  
3 mains, and it should be feeder mains.

4 Q. Feeder mains.

5 Now, did any of the corrections that you  
6 have made to your direct or surrebuttal testimony  
7 change the ultimate recommendation or your ultimate  
8 conclusions drawn from your analysis of that data?

9 A. No, sir.

10 Q. If I were to ask you, then, the same  
11 questions today that you have answered in your  
12 pre-filed written testimony, would your answers remain  
13 the same?

14 A. Yes, sir, they would.

15 Q. Have you prepared a summary of your  
16 testimony to present to the Commission?

17 A. Yes, sir, I have.

18 CHAIRMAN BOYER: Do you want to offer it?

19 MR. PROCTOR: Thank you, Mr. Chairman. I  
20 would offer into evidence the pre-filed written  
21 testimony by Dr. Dismukes that I have previously have.

22 CHAIRMAN BOYER: Are there objections to the  
23 admission of Dr. Dismukes' testimony as corrected?

24 MS. SCHMID: Yes.

25 MR. MONSON: We -- go ahead.



1                   CHAIRMAN BOYER:  Let's hear Ms. Schmid  
2 first.

3                   MS. SCHMID:  Quick on the trigger.

4                   My questions and objection concern the  
5 recently-handed-out corrections to Dr. Dismukes' direct  
6 testimony.

7                   He has deleted language on lines 216 --  
8 sorry, 616 through 618, and it's gone through, and the  
9 exhibits which I -- and I don't understand the change.  
10 I would have had the opportunity, had this change been  
11 made earlier, or in direct, to explore what this change  
12 means, and I would like the opportunity to -- to do  
13 that now.

14                   And I'd also -- I also have -- another  
15 question, but that's probably enough for right now.

16                   MR. PROCTOR:  Mr. Chairman, is counsel  
17 requesting voir dire of the witness?  Or --

18                   MS. SCHMID:  That would work.

19                   CHAIRMAN BOYER:  I --

20                   MS. SCHMID:  Or --

21                   CHAIRMAN BOYER:  I've been putting, you  
22 know, words in people's mouth incorrectly so far this  
23 morning.  I think what she's saying is she'd just like  
24 to understand what the -- to talk with the witness and  
25 see what the effect is.



1 MS. SCHMID: I need to talk with  
2 Dr. Dismukes.

3 CHAIRMAN BOYER: Oh, you need to talk with  
4 Dr. Dismukes?

5 MS. SCHMID: Yes.

6 CHAIRMAN BOYER: Well, go ahead and voir  
7 dire.

8 VOIR DIRE EXAMINATION

9 BY MS. SCHMID:

10 Q. What does the new phrase -- and, again, I  
11 don't have the work papers in front of me.

12 A. Right.

13 Q. And economics is obviously not one of my  
14 fortes, but here we go, plunging on.

15 When you say, in the revised testimony, the  
16 weighted average cost of total O&M expenses and  
17 customer service and information expenses, what number  
18 do you get and how?

19 A. Well, it's the -- if you look and you sum  
20 across all of the O&M expenses, and you sum up across  
21 the customer account expenses, those are each weighted  
22 in themselves. So the average of the two are a  
23 weighted average. And that's how those factors are  
24 developed on a relative basis.

25 Q. Can you tell me what exhibit you are looking



1 at to -- to sum those numbers?

2 A. Well, if you go into the cost of service  
3 model that we have in terms of allocation factors, it's  
4 there. And it was there originally, and it was in  
5 those calculations.

6 Q. In your calculations or in the revised --

7 A. They were always there in our original  
8 testimony. It was the text that never got changed.

9 You had -- everybody had this to begin with.  
10 Nobody asked any questions about the formula. It was  
11 there, and I just noticed the text didn't match the  
12 formula. It's always been there.

13 MS. SCHMID: Can I have one moment to  
14 discuss with my people who are more fluent in economics  
15 than I?

16 CHAIRMAN BOYER: Yes.

17 Q. (BY MS. SCHMID) Because I am not up to date  
18 as much as I should, could you give me a page and a  
19 line number of one of your exhibits, or something,  
20 where I can calculate the weighted average -- where I  
21 can calculate this and see that it was there?

22 A. I'm probably going to have to do this after  
23 lunch, and pull the spreadsheet out and tell you the  
24 columns and where it's at. It's in the actual tab for  
25 that.





1 MS. SCHMID: Okay.

2 CHAIRMAN BOYER: Mr. Monson has a comment or  
3 an objection?

4 MR. MONSON: Yeah. I mean, we have an  
5 objection too. And I think the problem is this.

6 We responded to this testimony in our  
7 rebuttal testimony the way it was written. And so why  
8 are we now, today, finding out that, Gosh, I guess I  
9 wrote it wrong.

10 Why didn't we get that at least in  
11 surrebuttal, if not a correction filed earlier?

12 And this change -- I mean, I don't want to  
13 over blow it, but it's just typical. We get everything  
14 at the last second. We've already had our testimony.  
15 We can't now have -- put a witness on to say, Okay,  
16 well, in light of this, then I have these additional  
17 points I want to make.

18 And so we're disadvantaged by this. It's  
19 prejudicial.

20 This isn't just simply a little correction,  
21 this is a change.

22 THE WITNESS: No, I -- it's not a change,  
23 Mr. Monson. It's the -- the formula was there from the  
24 onset, and originally when we filed our testimony.  
25 It's just the text here was not changed.



1           And actually, I found it last night,  
2 unfortunately. I'm sorry, when I was going back  
3 through some workpapers.

4           And I brought it to the Commission's  
5 attention here, because I am under oath and I do have  
6 to make those corrections. So I do apologize for the  
7 nature of this, but in going through no papers last  
8 night, I did see it.

9           And it is not a material. It's out to the  
10 tenth decimal place in some of these classes. In  
11 theory and practical nature it is in the same thing of  
12 trying to allocate those administratively.

13           Frankly didn't change the Company's rebuttal  
14 from what Mr. Robinson had said before, and so I -- it  
15 really is a -- a genuine good faith change, and it does  
16 not, in my opinion, change the overall material  
17 conclusions in this cost service results.

18           MR. PROCTOR: And Mr. Chairman, certainly  
19 the Company should be entitled to fully cross-examine  
20 Dr. Dismukes, and call a rebuttal witness in the event  
21 that they feel that -- that this is, in some way, a  
22 material change, even though, as Dr. Dismukes has  
23 testified, the numbers, the bottom line are exactly the  
24 same.

25           CHAIRMAN BOYER: Well I'll let the irony in



1 that the Company is bringing this. It's usually the  
2 other party saying the Company delivers the information  
3 at the last possible moment. Let's reserve on the  
4 admonition of the change of the testimony for the  
5 moment.

6 Let's hear Dr. Dismukes' summary, and then  
7 we'll let counsel contemplate during the lunch break  
8 whether this is something -- this is a change that they  
9 can accommodate through cross-examination or not.

10 MS. SCHMID: With due respect, Chairman, I  
11 will need to understand and have some help finding  
12 where it is in the workpapers.

13 CHAIRMAN BOYER: I think the doctor will do  
14 that.

15 MS. SCHMID: I would like that before I  
16 discuss this further. So if we could have this right  
17 at the beginning of our commencement, that would be  
18 helpful. Or shortly before.

19 CHAIRMAN BOYER: I think Dr. Dismukes is  
20 offering to show you those places in the record off  
21 line, during the break.

22 MS. SCHMID: Okay.

23 CHAIRMAN BOYER: So all I'm suggesting we  
24 hear is summary at this point. We'll -- we'll rule on  
25 the admissibility of the testimony as changed after the



1 lunch break.

2 But that will give counsel an opportunity to  
3 look at it and see if it's something that we can handle  
4 in cross-examination, or that they feel their  
5 prejudiced, we'll deal with that.

6 And I was going to try to get that printed  
7 and hand it to the Division.

8 MR. PROCTOR: Very well.

9 Mr. Chairman, there are three items of  
10 testimony, the direct --

11 CHAIRMAN BOYER: That's right. He's only  
12 changed two.

13 MR. PROCTOR: And he's only changed the ones  
14 that you find on the hand-out. So reserving those  
15 changes, and we could introduce a -- admit into  
16 evidence the rebuttal and surrebuttal, and all items  
17 within his direct that have not been corrected.

18 CHAIRMAN BOYER: Well --

19 MR. PROCTOR: May we inquire about  
20 examination s pertaining or any objections pertaining  
21 to the balance not corrected?

22 CHAIRMAN BOYER: Aren't these -- these  
23 changes are all in direct testimony?

24 MR. PROCTOR: Direct. All of them.

25 CHAIRMAN BOYER: Including the exhibits.





1 Right?

2 MR. PROCTOR: Yes.

3 CHAIRMAN BOYER: The calculations. Let's  
4 hear from Mr. Gardner.

5 MR. GARDNER: I know it's not typical to  
6 stand up in a Public Service Commission, but for the  
7 record, all I've heard is one objection from the  
8 Company, and that is that admitting the corrected  
9 testimony would be prejudicial. From the Division, all  
10 I've heard is I can't understand it. That's not an  
11 objection. So I would suggest that the Commission  
12 direct the counsel for the Division to come back and  
13 make an objection or not, after she meets with  
14 Mr. Dismukes.

15 CHAIRMAN BOYER: Well, we're -- we seem  
16 formal, though we're a little less formal, Mr. Gardner.  
17 What I'm trying to do is accommodate folks so we can  
18 get a full and complete understanding of the evidence  
19 I'm going to admit into evidence.

20 Are there objections to Dr. Dismukes  
21 rebuttal and surrebuttal?

22 MR. MONSON: I just want to note for the  
23 record that we object to the portions that we filed an  
24 objection on. Of the surrebuttal. I know I don't have  
25 a ruling, I just want to note that for the record.



1 CHAIRMAN BOYER: So noted.

2 Hearing that, then, Dr. Dismukes rebuttal  
3 and surrebuttal testimony pre-filed, together with  
4 exhibits, are admitted into the record, and we'll come  
5 back and deal with direct after our lunch break, when  
6 we're all fat and sassy and have had an opportunity to  
7 think about it.

8 (Whereupon, Dr. Dismukes' rebuttal  
9 and surrebuttal with exhibits  
10 were received.)

11 CHAIRMAN BOYER: With that, would you  
12 proceed with the summary?

13 Q. (BY MR. PROCTOR) Dr. Dismukes, would you  
14 provide the Commission with your summary?

15 A. Clarification. I don't know if I can  
16 summarize something that we still have outstanding on.

17 MR. PROCTOR: May he summarize his direct  
18 testimony, sir?

19 CHAIRMAN BOYER: I'm happy to go to lunch  
20 right now. That was my earlier suggestion.

21 Why don't we do that. Let's take a recess  
22 for an hour and a half, and we'll being back here at  
23 12:25, or 12:30.

24 (Whereupon, a break was taken.)

25 CHAIRMAN BOYER: Let's go back on the



1 record.

2 We're back on the record in docket  
3 07-057-13.

4 We have three loose ends that we should tie  
5 up before we hear Dr. Dismukes' testimony, or at least  
6 we choose to do so.

7 The first of which is Mr. Ball had a  
8 question. And Mr. Barrow, who said he didn't know but  
9 he thought he could figure out the reconciliation of  
10 these two numbers.

11 And he's not here though, is he?

12 I don't know if he's done that or not.

13 MS. SCHMID: He will be.

14 CHAIRMAN BOYER: I'm sure he will be.

15 MR. BALL: Chairman, right before lunch, or  
16 as we broke, Mr. Barrow came to me and said he had  
17 spoken with somebody at Questar. I'm not sure if it  
18 was Mr. Robinson or somebody else, but they were going  
19 to be trying to work that out, so.

20 I'm content for the moment.

21 CHAIRMAN BOYER: Well, we'll defer that then  
22 to a later time.

23 Maybe, since there will be some argument, I  
24 guess over Dr. Dismukes' changed testimony, changed  
25 direct testimony, let's deal with the numbers that



1 Commissioner Campbell directed.

2 Ms. Bell, tell us what you have and where  
3 you got them.

4 MS. LARKIN BELL: I believe Commissioner  
5 Campbell asked us to go back and determine what the NGC  
6 would be if we moved it 50 percent of the way, or  
7 100 percent of the way, without Wexpro gas and with  
8 Wexpro gas. And so that's what we have done.

9 And we have used it -- we have a column  
10 showing the current rates, and then the rates that will  
11 be effective once the pass-through is approved. So you  
12 can see that.

13 So I can pass this out to everyone, and  
14 hopefully that will address Commissioner Campbell's  
15 question.

16 CHAIRMAN BOYER: Okay. Let's do that.

17 MS. LARKIN BELL: I don't know how to mark  
18 it.

19 CHAIRMAN BOYER: How do we get it into the  
20 record, I guess is the question.

21 MR. PROCTOR: Whose question was it?

22 MS. SCHMID: Commission Campbell's.

23 MR. PROCTOR: Commission --

24 CHAIRMAN BOYER: We'll label it Commission

25 Cross One.





1 MR. PROCTOR: Technically you don't cross.  
2 You inquire.

3 CHAIRMAN BOYER: We'll call it Commission  
4 Exhibit 1.

5 MS. LARKIN BELL: Okay. Thank you.

6 MR. PROCTOR: Was that helpful,  
7 Mr. Chairman?

8 CHAIRMAN BOYER: Yes. Very. Thank you.

9 (Whereupon, Exhibit Commission Exhibit 1  
10 was marked for identification.)

11 CHAIRMAN BOYER: Let's give the parties a  
12 minute or two to look at this and see if it raises any  
13 questions.

14 Everyone had an opportunity to look at this?  
15 It appears to be mathematical calculations.

16 Does anyone have an objection to us  
17 including this in the record as Commission Exhibit 1?

18 I guess I'm going to overrule your  
19 objection.

20 MS. SCHMID: Can I just ask to have  
21 something explained?

22 CHAIRMAN BOYER: Sure.

23 MS. SCHMID: There is a theme here.

24 So column B is -- includes the new  
25 pass-through rates?



1 MS. LARKIN BELL: That will be effective  
2 November 1st. If the pass-through application is  
3 approved, that will be the rate adjustment reflecting  
4 that as of November 1st. Effective November 1st.

5 MS. SCHMID: And so it's accurate, one --  
6 some will go up and some will be down.

7 CHAIRMAN BOYER: The pass-through is a  
8 decrease this time, Ms. Schmid.

9 MS. LARKIN BELL: Right.

10 MS. SCHMID: Thank you very much.

11 COMMISSIONER BOYER: Thank you very much,  
12 Ms. Bell, for calculating that for us.

13 (Whereupon, Commission Exhibit No. 1  
14 was received.)

15 COMMISSIONER BOYER: Mr. Barrow is back in  
16 the room.

17 Do you have the information that Mr. Ball  
18 has requested?

19 Mr. Ball had represented that you spoke with  
20 someone at Questar and you were working on it.

21 MR. BARROW: I do have the information.

22 You have to realize we're using two  
23 different cost of service models. One was  
24 Mr. Gregory's, and the Company is using theirs, so  
25 there's difference in cost because of the different



1 allocation factors.

2 COMMISSIONER BOYER: Has Mr. Ball seen  
3 your --

4 MR. BARROW: No.

5 COMMISSIONER BOYER: Why don't you do that  
6 in the next -- in the next recess? We'll break in an  
7 hour, or hour and a half or so.

8 So we still have all of these -- two loose  
9 ends. And the one we're going to deal with right now,  
10 is Dr. Dismukes' testimony.

11 Mr. Proctor has moved admission of it as  
12 changed by the sheets that were passed out.

13 Are there objections to the admission of  
14 Dr. Dismukes' direct testimony?

15 MS. SCHMID: The Division withdraws its  
16 concerns, because the Division has had an opportunity  
17 now to speak with the CCS witness, and the Division's  
18 experts, and determined the source of the information.

19 The Division was seeking the information to  
20 determine if an objection was indeed warranted, and  
21 it's not warranted by the Division at this time.

22 Thank you.

23 CHAIRMAN BOYER: Thank you, Ms. Schmid.

24 Mr. Monson?

25 MR. MONSON: The Company also withdraws its



1 objection, but we do note that Mr. Robinson's rebuttal  
2 testimony did respond to the original testimony, so it  
3 would -- I don't think we're going to correct it, but  
4 just so everybody knows. It has a statement in the  
5 response about the 75/25.

6 CHAIRMAN BOYER: Yes.

7 MR. MONSON: And it's no longer an issue,  
8 so.

9 CHAIRMAN BOYER: In that case, then,  
10 Dr. Dismukes' direct testimony is admitted into  
11 evidence.

12 Thank you.

13 Now I guess we can hear Dr. Dismukes'  
14 summary.

15 WITNESS: Thank you, Mr. Chairman. Good  
16 afternoon.

17 My recommendations are in two primary areas.

18 One are in the cost of service  
19 recommendations that I have in my direct testimony, as  
20 well as some rate design proposals and recommendations.

21 Within the cost of service recommendations I  
22 have three primary recommendations. One is  
23 associated -- all three are associated with allocation  
24 factors. One is associate with the allocation factor  
25 used for administrative and general expenses. I've





1 recommended using an average or weighted average of the  
2 total O&M expenses and customer service information  
3 expenses as a factor as opposed to the Company's  
4 approach.

5           The second separation that I have with the  
6 cost of service study would be in the revenue credit  
7 allocation factors that were utilized. I believe the  
8 Company used gross -- D&G revenues.

9           What I'd like to recommend is a cost of  
10 service basis allocation factor that would allocate  
11 those that would try to match up revenues with costs to  
12 those respective classes for those classes that are  
13 actually excluded.

14           The third area where I have changes, which  
15 are probably some of them -- the larger ones, are on  
16 the plant factors and the plant allocation factors; in  
17 particular, the allocation factors used for the small  
18 diameter mains, and the ones associated with feeder  
19 mains.

20           With the small diameter mains, I have  
21 recommended to use a 75 percent 25 percent allocation  
22 factor. And that's based on a 75 percent weight to the  
23 distribution plant factor study that the Company had  
24 developed, and a 25 percent weight on distribution  
25 level throughput to kind of temper the -- the -- the



1 overall allocation factor to reflect the fact that  
2 these distribution mains are used for the allocation,  
3 for the distribution of gas into end users' premises.

4 The other recommendation I have is  
5 associated with cost allocations for the feeder mains.  
6 The Company used 60 percent capacity/40 percent  
7 throughput factor. I've recommended a  
8 50 percent/50 percent split on that, which I believe is  
9 consistent with the Company's past recommendations, as  
10 well as the Committee's position in the past task force  
11 meetings.

12 The other area where I have recommendations  
13 have been in the area of rate design. And we would  
14 like -- I would like to reject the VSF proposals right  
15 now.

16 The other recommendation I have would be to  
17 modify the proposed split for the GS class, from when  
18 one being based on residential and commercial customers  
19 to when it would be based on usage. And given some of  
20 the examination I've had in the data right now, it  
21 seems that probably a breakpoint on the combined class  
22 of somewhere around 100 decatherms would be a good  
23 break point. You can have a smaller, less than 100  
24 decatherm class for a general service class, and then  
25 above 100 decatherms for a general service large class.



1 I've also proposed that, on the volumetric  
2 rates for these two new classes, that they be set on a  
3 uniform basis or a flat rate basis as opposed to a  
4 declining block basis.

5 I've also recommended maintaining the  
6 relative differences in the seasonal differentials that  
7 have been proposed in this -- in this proceeding, as  
8 well as bringing the natural gas vehicle or the NGV  
9 class up to about 50 percent of the full cost of  
10 service, which is similar to what the Division talked  
11 about earlier this morning.

12 I would also like to recommend reducing the  
13 line extension allowance by one-third, to help bring  
14 the -- increase the cost these newer customers are  
15 imposing on to the system and bring them a little  
16 closer to those incremental costs of those services.

17 And that concludes the summary of my  
18 testimony.

19 CHAIRMAN BOYER: Thank you, Dr. Dismukes.

20 MR. PROCTOR: Dr. Dismukes is available for  
21 cross.

22 CHAIRMAN BOYER: Very well. Let's begin  
23 with Questar.

24 MR. MONSON: Mr. Dodge and I discussed this.  
25 If it's possible for him to go first. He doesn't like



1 me having all of the fun. But it might shorten what  
2 I've got.

3 CHAIRMAN BOYER: Certainly.

4 MR. PROCTOR: Will it lengthen Mr. Dodge's?

5 MR. DODGE: No.

6 CHAIRMAN BOYER: Let's hear from Mr. Dodge  
7 first then.

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

9 CHAIRMAN BOYER: And then would you like to  
10 follow up Mr. Dodge's response to you?

11 MR. MONSON: That's fine. However you want  
12 to do it.

13 CROSS EXAMINATION

14 BY MR. DODGE:

15 Q. Good afternoon, Dr. Dismukes. I want to ask  
16 you a few questions on each -- or several of the areas  
17 that you made recommendations on.

18 Let me start with the revenue credit.

19 I think you said, in your summary, that  
20 using a cost of service factor rather than a -- a  
21 distribution non-gas revenue factor better matches up  
22 revenues and costs. Is that basically what you said?

23 A. Yes, sir.

24 Q. You're not suggesting, are you, that a --  
25 either a D&G factor or a cost of service factor





1 attempts to identify the costs actually incurred in  
2 serving the customers from whom the credit comes. Are  
3 you?

4 A. No, sir, that's correct.

5 Q. And if there were a means of identifying the  
6 cost actually incurred to serve those customers, that  
7 would be a better approach to allocating the revenues,  
8 would it not?

9 A. Yes, sir.

10 Q. Thank you.

11 Now let me turn to your distribution plan  
12 factor discussion.

13 And just to be sure we're -- we're talking,  
14 this is where you -- I mean, that we're communicating,  
15 this is where you recommend a 75/25 split as opposed to  
16 the plant factor that Mr. Bateson developed. Correct?

17 A. Correct.

18 Q. And that factor is used, among other things,  
19 for allocating meters and service lines. Correct?

20 A. That's correct.

21 Q. And just to be sure, again, we're talking  
22 meters are actual meters at people's homes and the  
23 service lines are the lines -- or businesses. The  
24 lines that come from the small diameter mains  
25 typically, that just distribution network, whatever, to



1 the home or to the business. Correct?

2 A. That's correct.

3 Q. Your factor would include a volumetric  
4 component for those meter and service lines, correct?

5 A. It would be at -- yes, sir, at the  
6 distribution throughput level.

7 Q. And that's not traditionally been done in  
8 this state, has it, to do a throughput factor for  
9 meters and service lines?

10 A. I'm not aware of that.

11 Q. And you're aware, for example, that -- and  
12 so the all -- the throughput allocation factor would  
13 include an allocation to the transportation class?

14 A. No, it would not.

15 Only to the extent that they are taking  
16 service at the distribution level, as it has been  
17 adjusted for in Mr. Bateson's distribution throughput  
18 study.

19 Q. Well, I mean as a class.

20 I mean, if you go to your exhibit, you  
21 could -- we can go to the one you just handed out with  
22 your replacement testimony. So your corrected  
23 Exhibit CCS-5.2.

24 The top line -- are you there, Dr. Dismukes?

25 A. Yes.



1 Q. The top lines reflect what we're talking  
2 about. The 75/25 for -- for small diameter mains  
3 et cetera, correct? And meters and service lines.

4 A. Correct.

5 Q. And that reflects that -- that that  
6 allocation, or that allocation alone moves the  
7 transportation class from a .35 percent positive return  
8 to a negative 4.04 percent return. Correct?

9 A. That's correct. For those customers that  
10 are taking distribution level throughput, that's  
11 correct.

12 Q. Well, again, it isn't just being allocated  
13 to those that are taking distribution level throughput,  
14 it's being allocated to the entire transportation  
15 class. Correct?

16 A. Correct.

17 Q. And so any transportation customer, whether  
18 they're even attached to the distribution --

19 A. Right.

20 Q. -- network, will pay a higher price if your  
21 allocation -- for, among other things, mains and  
22 service lines, that they don't ever touch. Correct?

23 A. That's correct.

24 Q. Now let's go to the small mains.

25 In -- which is part of the 75/25.



1           Again, we've talking about meters, we've  
2 talked about service lines, and now let's talk about  
3 the small diameter mains.

4           In your direct testimony, on -- on page 25,  
5 you talk about -- there, and elsewhere, you talk about  
6 your justification for a -- for using a throughput  
7 factor on these kinds of facilities.

8           And you say, for example, on distribution --  
9 or excuse me, on small diameter mains, they do have a  
10 throughput component. Correct? Or a volumetric  
11 component?

12          A. That's correct.

13          Q. Now, Mr. Bateson's approach did recognize a  
14 volumetric component for those small diameter mains,  
15 did it not?

16          A. There is a -- I think I would -- I would  
17 characterize it more as a capacity-oriented component  
18 as opposed to a throughput component in the sense that  
19 you've got different diameter-sized pipes that are  
20 going to be able to carry different amounts of natural  
21 gas.

22          Q. But nevertheless, he allocated those costs  
23 for small diameter mains partially on a throughput  
24 factor. Correct?

25          A. For the small diameter mains. I'm sorry.





1 Q. That's what I'm talking about.

2 A. I'm sorry.

3 Q. I'm still small.

4 A. I'm sorry.

5 Q. So he did include a volumetric component,  
6 allocation factor, for the small distribution mains in  
7 his study. Correct?

8 A. I think there is a throughput component on  
9 the large diameter mains. The small diameter mains are  
10 used by the distribution plant factor.

11 Q. But my point is, he used the throughput, the  
12 distribution throughput factor. Correct?

13 In other words, there was a throughput  
14 component for those who touch the distribution system,  
15 where they are allocated a component of the -- of the  
16 small diameter mains based upon volume.

17 A. I'm not aware of -- of that, no.

18 Q. You did -- you did read Mr. Bateson's  
19 testimony, correct?

20 A. I did. And maybe I don't understand the  
21 question you're asking.

22 Q. Well, that's very possible, but sometimes I  
23 don't ask them very well.

24 Well, let me try one more time to see if  
25 it's just a miscommunication.



1                   Is it not correct that in determining -- in  
2 doing his distribution plant factor study, that  
3 Mr. Bateson identified meters and service lines  
4 separately, and those were allocated to those customers  
5 taking distribution service directly?

6                   A.    Correct.

7                   Q.    And then on service lines, small --

8                   Excuse me, I've got to use the right terms  
9 here.

10                   On the small diameter mains, the six-inch  
11 and below, are mains that are part of the distribution  
12 network, he allocated something like 67 percent of it  
13 based upon --

14                   A.    That's correct, yes, sir.

15                   Q.    And the rest was allocated in part based on  
16 the volumetric components?

17                   A.    Right.

18                   Q.    And part on capacity component.

19                   A.    Correct.

20                   Q.    So the point is, the question I'm trying to  
21 make sure we're communicating on, is that there's  
22 already a throughput component in the mains. You think  
23 it ought to be bigger in the small -- in the small  
24 diameter mains?

25                   A.    That's correct.



1 Q. And if I read your testimony correctly, your  
2 main reason for arguing that is, you know, A, that  
3 there's a volumetric component, which we've -- everyone  
4 acknowledges, and has been reflected to different  
5 extents in the various proposals, but secondly, you  
6 talk about the Company's main extension policy as  
7 recognizing a usage component. Correct?

8 A. That's correct.

9 Q. If you'd turn to page 25 of your direct.  
10 You quote the extension policy there. And I'd just  
11 like to make sure I understand what you mean by that  
12 having a -- that factor -- or excuse me, that extension  
13 policy recognizing usage.

14 Stepping back -- and I won't have you read  
15 it right now, but stepping back, is it your  
16 understanding that the Company's extension policy, for  
17 residential customers -- and I should say you  
18 understand there's a different extension policy for  
19 industrial customers or transportation customers?

20 A. Correct.

21 Q. In fact, they pay basically all of their  
22 connection costs. Right? Not just a --

23 A. That's my understanding.

24 Q. Whereas residential customers pay a portion  
25 and the rest get socialized.



1 A. Correct.

2 Q. And for the residential customers, is it not  
3 correct that what the Company wants to look at is the  
4 amount of distribution non-gas revenues that the  
5 Company will collect over a period of time, compare  
6 that to the distribution non-gas cost -- well, meter  
7 and service line costs incurred in extending that  
8 service, and then grant an allowance, recognizing those  
9 two factors?

10 A. That's correct.

11 Q. In order to determine -- so the two factors  
12 they look at are revenue and cost. And they compare  
13 those two and charge the customer some portion of the  
14 difference between revenue expected and cost expected.  
15 Correct?

16 A. That's correct.

17 Q. Can you think of any way the Company could  
18 calculate the expected revenue from the GS-1 customer  
19 without using the amount of decatherms they project?

20 A. How would you calculate the revenues without  
21 decatherms?

22 Q. Right.

23 In other words, to lay a little foundation,  
24 most of the DNV costs are recovered volumetric.

25 Correct?





1           A.    Right.

2           Q.    So if the Company is sitting there talking  
3 to me as Joe Blow customer, I come in and say I want  
4 you to extend a service line in a meter to my house,  
5 the -- what they need to know is, so what are you going  
6 to pay us back in DNG revenue, and what's it going to  
7 cost us to extend it? And it's those two factors  
8 you've agreed to determine the extension allowance. So  
9 when they go to the first of those factors, revenue,  
10 how could they possibly determine the DNG revenue they  
11 expect to collect from me without asking, How much are  
12 you going to use?

13          A.    I don't know that they could.

14          Q.    So that's the only way in which throughput  
15 is used or recognized in the extension line. Right?  
16 As one of the necessary factors for determining  
17 revenue?

18          A.    Correct.

19          Q.    So that doesn't really recognize that  
20 there's a throughput component in allocating small  
21 diameter mains, it recognizes that you have had to look  
22 at throughput to determine the DNG revenue that will be  
23 collected. Isn't that a more fair statement?

24          A.    I think -- to me, they are the same.  
25 They're one and the same.



1 I mean, you have to have usage in order to  
2 get revenues, and I'm looking at usage in order to make  
3 that determination of how many revenues I'm going to  
4 collect from that customer by making that extension.

5 Q. But that doesn't say anything about the  
6 extent to which small diameter mains are used for a  
7 throughput purpose, as opposed to a demand purpose or a  
8 capacity purpose.

9 It just says you need to know decatherms in  
10 order to calculate revenues?

11 A. But it will impact the costs that you're  
12 going to need to serve that customer if you need to  
13 know --

14 Q. Not the small diameter main costs though,  
15 right?

16 A. Well --

17 Q. It will affect the meter and service line  
18 costs for which the extension line -- the extension  
19 policy is intended. Is that not correct?

20 A. I'm not certain why it wouldn't impact the  
21 mains cost as well, if you're a customer coming down to  
22 a new area.

23 Q. Without debating it, you acknowledge that's  
24 the only throughput recognition the Company makes as to  
25 its extension policy is in the manner it calculates



1 projected revenues from a customer signing up?

2 A. Yes, sir, you're correct.

3 Q. Then lastly, let's turn to feeder lines,  
4 which are the larger lines that everyone acknowledges  
5 service all customers. Well, most customers. Correct?

6 A. Yes, sir.

7 Q. I guess at one level or another feeder lines  
8 serve all customers. Correct?

9 A. Correct.

10 Q. And I believe, in responding to the -- the  
11 Division -- and I'm looking specifically in your  
12 rebuttal at page ten. Lines 183 and 184.

13 Although the sentence begins before that.

14 Let's go back to page nine, beginning at  
15 page 180.

16 And the question was, Why should the  
17 Commission not adopt the Division's recommendation?  
18 And that recommendation has to do with allocation of  
19 feeder mains. Correct?

20 A. Correct.

21 Q. And you start with, There's no basis for  
22 supporting the Division's recommendation.

23 A. Mm-hmm.

24 Q. And then, if you go to page 183, you  
25 elaborate by saying, One, the Division's proposal is



1 not supported by any prior Commission precedent.

2 A. Mm-hmm.

3 Q. Secondly, by an alternative methodology, or  
4 third by imperical information.

5 A. Mm-hmm.

6 Q. Is that not true of your proposal as well?

7 A. Yes, sir. Correct.

8 Q. It's not supported by any prior Commission  
9 or --

10 A. Hmm?

11 Q. It's not supported by any alternative --  
12 prior Commission precedent. 50/50?

13 A. 50/50 is not, no.

14 Q. It's not supported by an alternative  
15 methodology that you've come up with?

16 A. Yes. That's correct.

17 Q. And it's not supported by imperical  
18 information?

19 A. That's correct.

20 Q. Yours is a judgement call?

21 A. Correct.

22 Q. As was the Division's?

23 A. Correct.

24 Q. As was the Company's?

25 A. Yes, sir.





1 Q. Thank you.

2 And then lastly, you speak a little bit in  
3 your testimony of gradualism. In your -- have you ever  
4 recommended a 174 percent increase to a customer class  
5 you represent?

6 A. No, sir, I have not.

7 MR. DODGE: Thank you. No further  
8 questions.

9 CHAIRMAN BOYER: Thank you, Mr. Dodge.

10 Now we'll turn to Mr. Monson, and then  
11 Ms. Schmid, and work our way around the room.

12 Mr. Monson?

13 MR. MONSON: Thank you.

14 CROSS EXAMINATION

15 BY MR. MONSON:

16 Q. In your summary, Dr. Dismukes, you mentioned  
17 that your recommendation is to split the GS-1 class  
18 based upon usage at approximately 100 decatherms. Is  
19 that right?

20 A. Yes, sir.

21 Q. If you do that, you create a potential for  
22 customers, who are close to those volume levels, to  
23 perhaps use more gas so that they get in the higher  
24 level. Is that right?

25 A. Yes, sir.



1 Q. And could you avoid that by just simply  
2 leaving the class together, but putting in a block at  
3 100 decatherms? A declining block?

4 A. Potentially, yes, sir.

5 Q. Let's turn to your Exhibit 5.1 in your  
6 surrebuttal testimony for just a minute.

7 And I'll try not to duplicate anything  
8 Mr. Dodge already asked you about.

9 The purpose of this exhibit, as I understand  
10 it, is to show that there's a high degree of  
11 variability in the data. Is that right?

12 A. Yes, sir.

13 Q. Okay.

14 And that's one of the reasons you offer as  
15 to why the Company's small distribution -- small  
16 diameter distribution plant factor study might have a  
17 bias in it. Is that right?

18 A. Yes, sir.

19 Q. So is it your testimony, then, that  
20 variability in data is an indication of statistical  
21 bias?

22 A. No.

23 Q. So you agree that bias, the definition of  
24 bias is simply if the expected value equals the  
25 actual -- the expected measure equals the actual



1 measure, if it equals it it's not biased. Right?

2 Do you agree with that?

3 A. If the actual -- if the estimate is --

4 Q. If the expected -- expected measure equals  
5 the actual --

6 A. It is unbiased.

7 Q. -- it's unbiased. Right.

8 And so for all of the classes -- for all of  
9 the meter sizes above 16,000, you understand the  
10 Company did a 100 percent sample on those. It did a  
11 census. Right?

12 A. Right.

13 Q. There's still substantial variability in  
14 some of those meter classes, isn't there?

15 A. That's true.

16 Q. But there's -- but by definition, there's no  
17 bias. Is that right?

18 A. That is true.

19 Q. Okay.

20 And is bias cured by increasing the sample  
21 size?

22 A. It can be.

23 Q. But would it necessarily be?

24 A. Not necessarily.

25 Q. Are you familiar with the Oakridge



1 Laboratories? National laboratories?

2 A. Yes, sir.

3 Q. Do you consider them to be a pretty solid  
4 scholarly source?

5 A. Yes, sir.

6 Q. Let me show you something.

7 Okay. Just for putting the first page on  
8 this, just to show people where it came from.

9 But can you turn to the second page?

10 Actually it would be the third page, because it looks  
11 like I've copied on both sides.

12 Do you see the entry there, Sample bias has  
13 the following attributes?

14 A. Yes, sir.

15 Q. Okay.

16 So sample bias does not decrease with sample  
17 size, and may even increase, depending on the source of  
18 the bias. Do you agree with that?

19 A. Yes, sir.

20 Q. Sample bias can even be present in the  
21 census if it arises from measurement problems and  
22 instrument problems. So that would be a measurement  
23 issue?

24 A. Correct.

25 Q. You haven't provided any evidence that there





1 was a measurement problem in connection with the sample  
2 that was done for the distribution plant factor.

3 A. No, sir.

4 Q. Sample bias cannot be calculated in most  
5 cases and bears no relation to sample size, population  
6 size, or variability of the measures being collected.

7 Do you agree with that?

8 A. Yes, sir.

9 Q. Thank you.

10 MR. MONSON: Can we mark that as QGC

11 cross --

12 CHAIRMAN BOYER: 3, I think it would be.

13 MR. MONSON: 3.

14 (Whereupon, Exhibit QGC Cross 3  
15 was marked for identification.)

16 Q. (BY MR. MONSON) When were you retained by  
17 the Committee to do work in this case? Do you  
18 remember?

19 A. I don't recall.

20 Q. Would you accept, subject to check, that  
21 there was a date of request in which the Committee  
22 asked a response to be sent to Kim Dismukes -- who I  
23 believe is your wife, and part of your firm.

24 A. That's right.

25 Q. -- in January of 2008? Does that seem



1 about right?

2 A. That could be true, yes.

3 Q. So I assume you had the data underlying the  
4 Company's plant distribution -- plant distribution --  
5 sorry. Distribution plant factor study possibly as  
6 early as January of this year. Is that right?

7 A. That's correct.

8 Q. And in your direct testimony, you said that  
9 you weren't -- you weren't challenging the development  
10 of that study. Is that right?

11 A. That's correct.

12 Q. And by that did you mean the design and the  
13 execution of the study?

14 A. More the design, yes, sir.

15 Q. Okay.

16 And then in your surrebuttal testimony, you  
17 said that you had concerns about possible bias in the  
18 study. Is that right?

19 A. That's correct.

20 Q. And one of the bases of your concern about  
21 bias was that the -- the variability in the data. Is  
22 that right?

23 A. Yes, sir.

24 Q. And the fact that the data is skewed. Is  
25 that right?



1 A. Correct.

2 Q. Okay.

3 And the fact that there's some outliers in  
4 the data?

5 A. Correct.

6 Q. Okay.

7 And are you familiar with the Grubbs test  
8 for outliers?

9 A. Yes, sir.

10 Q. And the Dixon test for outliers?

11 A. Yes.

12 Q. Would you agree with me that those tests are  
13 applicable to normally distributed data?

14 A. Yes, sir.

15 Q. So they don't real apply to skewed data, do  
16 they?

17 A. Do you have any prior reason to believe that  
18 the data is skewed?

19 I mean, it's based on the assumption on the  
20 population sample, not necessarily -- on the  
21 population, not necessarily on the sample.

22 If you assume the sample is coming from a  
23 normally distributed population, then the statistics is  
24 relevant.

25 Q. They are irrelevant?



1 A. They are relevant.

2 Q. They are relevant. Okay.

3 I don't necessarily need to pass this out,  
4 but in both cases they are based on an assumption of  
5 normality. Right?

6 A. For the population.

7 Q. For the population. Right.

8 And so if the -- if the population isn't  
9 normally distributed, which it isn't in this case,  
10 these tests don't -- aren't helpful, are they?

11 A. I have no reason to -- I haven't done a test  
12 on whether the population is not normal or not. And I  
13 haven't seen anything in the Company's analysis to  
14 assume that the population would not be normally  
15 distributed.

16 Q. If the data is skewed, doesn't that mean  
17 it's not normally distributed?

18 A. The sample, not necessarily the population.

19 Q. Okay.

20 And in -- and for meter 16,000 or above, it  
21 is 100 percent sample. Right?

22 A. That's correct.

23 Q. And it's skewed, right?

24 A. It has zeros in the calculation, yeah.

25 Q. And it was also skewed?





1           A.    It's skewed because it has a calculation  
2 error.

3           Q.    Well, okay.

4                    You say that's a calculation error to  
5 exclude the zero values.

6           A.    Yes.  It's a missing value, it's not a zero.

7           Q.    To include them.  I'm sorry.

8           A.    That's correct.

9           Q.    So are you suggesting that if you're trying  
10 to determine the costs for everyone who has a meter  
11 that's 16,000 -- is it cubic feet per hour, is that  
12 what it is?

13          A.    Right.

14          Q.    -- that it's inappropriate to include those  
15 who don't have any costs associated with that?  For  
16 the -- for the various facilities that's being --

17          A.    Oh, no, you should include it, but you  
18 shouldn't put in it in as a zero.  It's just a missing  
19 value.

20          Q.    Okay.

21                    Well -- well, have you provided any evidence  
22 to the Commission that the sample the Company drew for  
23 the distribution plant factor study was not random?

24          A.    No, I have not.

25          Q.    Have you provided any evidence that if the



1 Company had increased the sample size, it would have  
2 eliminated any variability in the data?

3 A. I have not presented any in my testimony,  
4 no.

5 Q. You acknowledge that the rate increases  
6 you're proposing for the IS, FS, and TS customers are  
7 large?

8 A. That's correct.

9 Q. But you say this must be balanced against  
10 other considerations, including the fact that  
11 residential customers will see rate increases, both as  
12 a result of this proceeding and after this proceeding  
13 is complete, through the conservation name on the  
14 tariff. Do you want me to give you the reference?

15 A. Yes, sir, please.

16 Q. Surrebuttal, lines 416 to 418.

17 A. Yes, sir, I see that.

18 Q. Okay. Are you aware that residential and  
19 commercial customers who receive rate decreases as a  
20 result of CET?

21 A. Yes, sir. That shouldn't say could. That  
22 should say will.

23 Q. Dr. Dismukes, you made some adjustments to  
24 the Company's cost of service study. Is that right?

25 A. Yes, sir.



1 Q. In this case?

2 And all of your adjustments shifted costs  
3 from the FS, IS, and TS rate classes to the -- excuse  
4 me, they all shifted costs from the GSR and GSC rate  
5 classes to the FS, IS, and TS rate classes. Is that  
6 correct?

7 A. That's correct.

8 Q. And after your proposed adjustments, you  
9 concluded that the GSR customers cover their cost of  
10 service, so no part of the increased revenue  
11 requirement in this case should be spread to them?

12 A. That's correct.

13 MR. MONSON: That's all I have.

14 CHAIRMAN BOYER: Thank you, Mr. Monson.

15 Ms. Schmid, have you questions for  
16 Dr. Dismukes?

17 MS. SCHMID: Mr. Monson and Mr. Dodge have  
18 covered the areas I wished to cover, so no.

19 CHAIRMAN BOYER: Mr. Gardner?

20 MR. GARDNER: No questions.

21 CHAIRMAN BOYER: And Mr. Ball?

22 MR. BALL: No thank you, Chairman.

23 CHAIRMAN BOYER: Commissioner Allen?  
24 Commissioner Campbell?

25 None for Commissioner Boyer.



1 Redirect?

2 MS. SCHMID: No thank you.

3 CHAIRMAN BOYER: Well, Dr. Dismukes, thank  
4 you so much.

5 THE WITNESS: Thank you.

6 CHAIRMAN BOYER: You may step down.

7 Is that your last witness, Mr. Proctor?

8 MR. PROCTOR: It is. Thank you,  
9 Mr. Chairman.

10 CHAIRMAN BOYER: Okay. Now we've agreed  
11 earlier today to hear Mr. Higgins, sort of out of turn,  
12 although we really don't have turns. So let's go to  
13 that point.

14 Mr. Monson, did you wish to offer your  
15 exhibit?

16 MR. MONSON: I do.

17 CHAIRMAN BOYER: 3?

18 MR. MONSON: I'm sorry. I always forget to  
19 do that. And I would like to offer it.

20 CHAIRMAN BOYER: Are there any objections to  
21 the admission of Questar's Cross Exhibit 3 into  
22 evidence?

23 This is the Oakridge National Average Rate.

24 MS. SCHMID: None.

25 MR. DODGE: None.





1 MR. MONSON: None.

2 CHAIRMAN BOYER: Very well. It is admitted.

3 (Whereupon, Exhibit QGC Cross 3

4 was received.)

5 MR. DODGE: Mr. Higgins has previously been  
6 sworn.

7 CHAIRMAN BOYER: Very well. You're reminded  
8 you're still under oath Mr. Higgins, and you may be  
9 seated.

10 KEVIN C. HIGGINS,  
11 having been previously duly sworn, was examined and  
12 testified as follows:

13 DIRECT EXAMINATION

14 BY MR. DODGE

15 Q. Mr. Higgins, would you give us your name,  
16 for whom you work, and for whom you're appearing in  
17 this docket?

18 A. Yes. My name is Kevin C. Higgins. I'm  
19 employed by Energy Strategies. My business address is  
20 215 South State Street, Suite 200; Salt Lake City,  
21 Utah, 84111.

22 And I'm here on behalf of UAE Intervention  
23 Group.

24 Q. Thank you.

25 Mr. Higgins, you have -- have you had



1 pre-marked and pre-filed direct written testimony, both  
2 direct testimony labeled UAE cost of -- COS-1, with  
3 Exhibits 1.1 through 1.4; rebuttal testimony labeled  
4 UAE COS-1R, with Exhibits COS-1.1R; and your  
5 surrebuttal testimony, UAE COS-1SR, with an  
6 Exhibit COS-1.1SR?

7 A. Yes.

8 Q. And do you have any corrections to that  
9 pre-filed testimony?

10 A. I do not.

11 Q. Is that your testimony here in this hearing  
12 today?

13 A. Yes, it is.

14 MR. DODGE: With that, Mr. Chairman, I move  
15 the admission of each of the exhibits I've just  
16 referenced.

17 CHAIRMAN BOYER: Thank you, Mr. Dodge.

18 Are there any objections to the admission of  
19 Mr. Higgins' direct, rebuttal, and surrebuttal  
20 testimony that's been pre-filed?

21 MS. SCHMID: None.

22 MR. PROCTOR: None.

23 CHAIRMAN BOYER: Very well. They are  
24 admitted into evidence.

25 (Whereupon, Mr. Higgins' Direct,



1                   Rebuttal and Surrebuttal with exhibits  
2                   was received.)

3                   Q.    (BY MR. DODGE) Mr. Higgins, would you  
4 please provide a brief summary of your testimony?

5                   A.    Certainly. Thank you.

6                   My testimony addresses class cost of  
7 service, rate spread, and certain tariff changes  
8 proposed by Questar Gas Company, which I will refer to  
9 as Questar.

10                  With respect to rate spread, I recommend  
11 that rates be moved in the direction of cost of  
12 service, but that the principal of gradualism be  
13 applied such that the maximum increase levied on any  
14 rate schedule for traditional utility service, as  
15 distinct from natural gas vehicle service, should be  
16 capped at 200 percent of the system average increase.

17                  Given the 5.39 percent revenue increase  
18 authorized by the Commission in this case, adoption of  
19 my recommendation would mean the maximum increase for  
20 any rate schedule taking traditional utility service  
21 would be 10.78 percent.

22                  Further, I support Questar's proposed  
23 separation of the general service rate schedule into  
24 separate residential and commercial schedules.

25                  The down-side of not making this change is



1 that general service customers would continue to pay  
2 rates significantly above their cost of service. In  
3 implementing this separation, I recommend that the  
4 general service commercial revenue requirement remain  
5 unchanged from test year revenues; that is, they  
6 receive neither an increase nor a decrease, and that  
7 the revenue decrease that would otherwise apply to this  
8 class (if rates were set equal to cost of service) be  
9 used to mitigate the rate increase for residential  
10 customers, as well as contribute to funding the  
11 200 percent rate increase cap.

12 In my opinion, this approach best balances  
13 the need to set rates that are informed by the cost to  
14 serve the classes with the need to consider the  
15 principles of rate stability and gradualism.

16 I believe that will produce just and  
17 reasonable rates.

18 The rate spread that would result from my  
19 proposal is presented in table KCH-1R included in my  
20 rebuttal testimony.

21 I note that both Questar and the Division  
22 are recommending rate increases for transportation  
23 customers of 25 percent, which is over four and a half  
24 times the system average increase.

25 I believe such an increase is excessive in





1 the context of an overall system increase of  
2 5.39 percent.

3 While these proposals may be excessive, I  
4 believe the Committee's proposal is, in a word,  
5 extreme.

6 The Committee proposes a series of changes  
7 to the Company's cost of service study that are, in my  
8 opinion, entirely without merit.

9 These changes shift so many costs to  
10 transportation customers, that it produces a rate  
11 increase of -- in excess of 170 percent. And in  
12 essence that is how the Committee proposes to spread  
13 the 5.39 percent system increase; 174 percent for  
14 transportation customers, zero percent for general  
15 service customers.

16 I recommend that this ratespread proposal be  
17 rejected out of hand.

18 I'll turn now to the Company's cost of  
19 service study.

20 I note that, unlike the Division and  
21 Committee cost of service witnesses, I had the  
22 advantage of participating in the cost of service and a  
23 rate design task force that was established following  
24 the previous rate case, and I am also proposing far  
25 less extensive changes to the Company's cost of service



1 study than either the Committee or Division witnesses.

2 In fact, I only propose two changes.

3 My first change concerns the colorfully  
4 named Allocation Factor 230, which allocates feeder  
5 line costs among other things. Questar allocates these  
6 costs to classes on the basis of both peak demand and  
7 throughput. This is an application of a well-known  
8 methodology called the peak and average method.

9 The problem with the Company's application  
10 of this method is that the Company -- the Company's  
11 proposed 60/40 weighting between peak demand and  
12 throughput is based strictly on the analyst's  
13 subjective judgement. In contrast, I am recommending  
14 that the weighting assigned to throughput be set equal  
15 to the system load factor.

16 This weighting is the standard application  
17 of the peak and average method, and is consistent with  
18 the guidance provided by the NARUC manuals for using  
19 the peak and average method for both gas and electric  
20 cost allocation. Based on this principal, I recommend  
21 a weighting of 75 percent peak demand and 25 percent  
22 throughput.

23 My second change concerns the allocation of  
24 credits from FT-1 revenues.

25 In this proceeding, Questar is proposing to



1 calculate this credit on the basis of class  
2 distribution non-gas revenues or DNG revenues. That  
3 is, the bigger a class's DNG revenues, the bigger a  
4 credit it receives from FT-1 sales. This is a  
5 significant departure from the Company's allocation of  
6 revenue credits in its previous rate filing, Docket No.  
7 002-057-02. In that case, Questar allocated revenue  
8 credits on the basis of throughput.

9 Now, I am not recommending that the  
10 allocation of FT-1 revenue credits be based on  
11 throughput, even though that would be dis -- even  
12 though that would be advantageous to UAE members.

13 What I am saying is the Company's proposal  
14 to switch to using DNG revenues is not reasonable. It  
15 is not reasonable because DNG revenue includes their  
16 recovery of all types of costs that have little or no  
17 relationship to the costs of providing FT-1 service,  
18 namely the costs of meters, the costs of small diameter  
19 mains, and the cost of services lines.

20 The use of these cost components in  
21 allocating the FT-1 revenue credit clearly inflates the  
22 benefit of the revenue credit for classes that incur  
23 substantial DNG costs for facilities that are largely  
24 unrelated to providing FT-1 service.

25 I recommend instead, that the FT-1 revenue



1 credits should be allocated on the basis of the same  
2 Allocation Factor 230 I was discussing a moment ago,  
3 which allocates the costs of feeders and other  
4 facilities generally required for service to FT-1  
5 customers.

6 This approach provides a reasonable middle  
7 ground between the approach Questar used in the last  
8 rate case - throughput - and the approach the Company's  
9 proposing in this case - DNG revenues.

10 Now, the implication for rate spread of  
11 these two proposals is that if these two modifications  
12 to the Company's cost of service study were adopted,  
13 then applying a 200 percent of system average increase  
14 to the transportation service rate schedule would move  
15 these customers about halfway to cost, and I believe  
16 this would constitute significant progress in moving  
17 rates for transportation customers towards cost of  
18 service.

19 Now let me turn briefly to the matter of  
20 rate design for transportation service. I do not have  
21 any objections to changing the rate design for FT-2  
22 service and recovering the firm portion of the service  
23 through a demand charge as Questar has proposed;  
24 however, to the extent that the Commission adopts a  
25 smaller revenue requirement for transportation service





1 than Questar is proposing, I recommend that the  
2 Commission also send very specific instructions to the  
3 Company with respect to how to apportion such a  
4 reduction between the new demand charge and the  
5 volumetric charges. Specifically, I recommend that any  
6 revenue reductions be apportioned between the demand  
7 charges and the volumetric charges on a pro rata basis.

8 In contrast, Questar recommends that TS  
9 demand charges and volumetric rates should be  
10 recalculated independently, after considering all of  
11 the other changes to the allocation factors or  
12 methodology ordered by this Commission in this case.  
13 And I caution against this.

14 The pro rata approach I'm recommending is  
15 very straight-forward, and, most importantly, it avoids  
16 potential surprise impacts on customers that could  
17 result, under the Company's proposal, to re-calculate  
18 the relationship between demand charges and volumetric  
19 charges once the case is effectively closed.

20 If the Commission orders a rate impact cap  
21 that is applicable to transportation customers, then  
22 there should be some assurance that the firm and  
23 interruptible service customers will be similarly  
24 treated by the mitigation. And this is accomplished  
25 under a pro rata approach. And there's no such



1 assurance under the Company's proposed after-the-fact  
2 calculation if this were to occur.

3 My final summary comments concern Questar's  
4 proposal to alter certain pricing provisions of its  
5 imbalance charges for transportation service.

6 While I agree with the Company that it is  
7 important that transportation customers be encouraged  
8 to stay within the imbalance tolerance window, the  
9 tariff terms must also be just and reasonable.

10 The current tariff terms already provide a  
11 strong incentive for minimizing imbalances through the  
12 existing pricing penalties.

13 Questar has not presented any evidence that  
14 problems have arisen with transportation customer  
15 imbalances that warrant the kind of changes the Company  
16 is proposing in this case.

17 In particular, the Company has not presented  
18 any evidence that customers on the southern part of the  
19 system are creating imbalance problems to the detriment  
20 of other customers on the system.

21 And absent such evidence, I see no  
22 justification for introducing the Southern California  
23 Gas Company index for cashing out imbalances for  
24 customers in Southern Utah, while purchasing negative  
25 imbalances from these same customers at Rocky Mountain



1 prices.

2 This is a significant pricing change, and,  
3 in my opinion, the Company has not met its burden of  
4 proof that the proposed changes would produce rates  
5 that are just and reasonable.

6 And that concludes my summary.

7 MR. DODGE: Thank you. Mr. Higgins is  
8 available for cross-examination.

9 CHAIRMAN BOYER: Thank you.

10 Mr. Higgins. Let's begin with the Company.

11 MR. MONSON: Thank you.

12 CROSS EXAMINATION

13 BY MR. MONSON:

14 Q. Mr. Higgins, in connection with the  
15 statement you just made, you said the Company would be  
16 purchasing negative imbalances at or Rocky Mountain  
17 prices. Do you mean positive?

18 A. The -- well, let's -- let's put it this way.

19 To the extent that a -- a customer is  
20 running in a imbalance where it is short, that is it  
21 has not put enough gas into the system, it's going to  
22 be purchasing those imbalances from the Company at  
23 Southern California index prices.

24 And to the extent that the customer is long,  
25 the Company is going to buy that extra gas from them at



1 Rocky Mountain prices. So that's what I meant to say.

2 Q. Okay.

3 And -- and one of your major points is you  
4 say the Company hasn't provided any evidence that  
5 there's a problem, I guess, effectively. Is that  
6 right?

7 A. Not that I have been able to see in your  
8 case.

9 Q. Okay.

10 In response to that statement, Ms. Faust  
11 filed rebuttal testimony in which she stated that the  
12 current tariff provisions do not always provide  
13 sufficient incentives for transportation customers to  
14 stay within the imbalance tolerance window. Do you  
15 remember that?

16 A. Yes, I do.

17 Q. And she also stated that in some  
18 circumstances the current provisions provide incentives  
19 for customers to stay out of balance for a period of  
20 time. Do you remember that?

21 A. I do.

22 Q. So I guess what I want to ask you -- and  
23 maybe this is a legal conclusion, but it was in your  
24 testimony. Do you not consider that evidence?

25 A. In a non -- my non-legal answer is no, in





1 the sense that the -- Ms. Faust did not go on to do --  
2 to indicate whether or not that is, in fact, occurring.

3 You know, despite the fact that the Company  
4 perceives that there are certain incentives to act in a  
5 certain way, I did not see any indication of the  
6 Company's case that that is, in fact, occurring. That  
7 people are acting in a fashion that abuses the  
8 imbalance -- the balancing provisions in the current  
9 tariff.

10 Q. If a transportation customer uses more  
11 volumes than it purchased, and the Company's then  
12 required to purchase additional supplies to meet the  
13 needs of the system, those supplies may be at peak  
14 prices, or they may be withdrawn from storage. Is that  
15 right?

16 A. If that occurs, yes.

17 Q. And then later the customer, if they choose  
18 not to correct the imbalance, may replace the gas at  
19 lower prices. Is that right?

20 A. That is theoretically possible, if prices  
21 move in -- in a direction that makes that happen.

22 Q. Have you provided any evidence that -- that  
23 transportation customers do not currently do this?

24 A. No, but I don't consider that to be my  
25 burden of proof.



1 Q. And assuming they do do this, then that type  
2 of drafting would be detrimental to other customers,  
3 wouldn't it?

4 A. It's certainly possible that particular  
5 actions by transportation customers, that cause them to  
6 be out of balance, could cause a detriment to other  
7 customers, which is, you know, precisely why there are  
8 penalties in your tariff to discourage that behavior.

9 Q. Okay. And you mention that, on line -- on  
10 page 17 of your -- of your direct testimony, you  
11 mention that transportation customers in Southern Utah  
12 typically purchase their gas supplies in Rocky Mountain  
13 markets.

14 Is that right?

15 A. Yes.

16 Q. Okay.

17 If they do -- let's assume they do.

18 A. Okay.

19 Q. Don't they have to pay some adder to get the  
20 gas down to their -- to where they want it?

21 A. Well, I mean, it may be the case, and for  
22 certain customers. It would also depend on what time  
23 of year the delivery was occurring.

24 I mean, in the -- for example, in the  
25 summertime, certainly there are -- there tend not to be



1 restrictions on delivery into Southern Utah on the  
2 Questar system, and so those customers are certainly  
3 purchasing at Rocky Mountain prices.

4 But there may be adders in individual  
5 contracts. I haven't seen it.

6 Q. Do you agree that customers in Southern Utah  
7 are more likely to pay a price that is reflective of  
8 the QPC index plus something than just simply the QPC  
9 index, particularly during the winter?

10 A. During the winter they may -- yes, I think  
11 it would be more likely that they would pay some  
12 premium over QPC.

13 Q. And the current tariff simply says the  
14 market price plus -- plus a dollar. Right?

15 A. Plus a dollar, yes.

16 Q. If they stay out of balance.

17 And so what is -- do you -- what's your  
18 understanding of what the market price is in the  
19 current tariff?

20 A. The -- well, I mean, the market price today,  
21 for delivery on the Questar system, of 12 months out,  
22 is \$4.82 a decatherm.

23 Q. Okay.

24 So you think it's the commodity price? Is  
25 that what you're saying?



1 A. Right.

2 Q. Questar's commodity price?

3 A. Yes.

4 Q. What if the market is the Southern  
5 California price?

6 A. Oh, there's no question the Southern  
7 California price is significantly more expensive than  
8 the Questar price. Yes.

9 Q. Right.

10 And if the customers -- if the customers use  
11 less -- if they purchase less gas -- the transportation  
12 customers -- than they are using, isn't it possible  
13 that Questar Gas has to buy the gas to replace that at  
14 the southern California index price?

15 A. I would not sit here and rule that out of  
16 hand, that that could conceivably occur.

17 And at the same time, your tariff doesn't  
18 propose that you would only charge the Southern  
19 California index price at times when you, in fact, had  
20 to purchase it, at that price, but instead, leaves it  
21 to the discretion of the Company to charge that price  
22 when it sees fit.

23 Which, of course, could occur conceivably in  
24 the summertime, when it would be highly unlikely that  
25 you would -- that you -- that the Company would need to





1 use Southern California gas -- index gas to make up  
2 imbalances delivered to Southern Utah.

3 Q. You say the Company has discretion about  
4 that. Doesn't the proposed tariff say that the Company  
5 will charge the higher of the Southern California index  
6 price or the commodity price plus a dollar?

7 A. Yes. Yes.

8 Q. And so doesn't that assure that the Company  
9 will never come up short if it has to buy the Southern  
10 California gas to replace the gas used by the  
11 transportation customer?

12 A. Oh, I will agree, it errs on the side of the  
13 Company. Exactly.

14 Q. And so that -- that strengthens the  
15 incentive not to leave an imbalanced condition  
16 outstanding. Right?

17 A. There's no question that it provides a  
18 stronger incentive, and it becomes a question of  
19 balance and just and reasonableness.

20 Q. The Company's proposing to eliminate the  
21 option of customers who purchase transportation service  
22 from buying firm service as well. Right?

23 A. That is correct.

24 Q. And if a transportation customer may buy  
25 from sales service, doesn't this give the customer the



1 option of buying gas from the Company when the  
2 Company's cost of gas is lower than the market, and  
3 purchasing gas on the market when the market price of  
4 gas is more favorable?

5 A. That -- that may be the case. My  
6 understanding is that not very many customers have  
7 availed themselves of this option, and so I suspect  
8 that it is not something that is, you know, widely  
9 perceived, or prevalent, but theoretically that's  
10 possible.

11 Q. Do small commercial and residential  
12 customers have that same option?

13 A. Are you asking me if they have the option to  
14 move to transportation service?

15 Q. Yes.

16 A. Well, with the reduction in the  
17 administrative charge, that will improve the prospects  
18 for some of these customers to do that. But I do think  
19 there are still barriers to entry for smaller customers  
20 to take transportation service.

21 Q. I mean, customers using less than 45  
22 decatherms certainly are going to have a barrier,  
23 aren't they?

24 A. Yes, they are.

25 Q. Thank you.



1                   You stated that you prefer to use allocation  
2 factor 230 for FT-1 revenues because it doesn't include  
3 main line costs. Is that right?

4                   A. That's not -- actually that's not what I  
5 said.

6                   I said that I'd prefer to use it because I  
7 think it better reflects the costs to the system of  
8 serving FT-1 customers, and it does not include  
9 metering small diameter mains or service line costs.

10                   Now, if you mean -- if by main costs you are  
11 referring to the small diameter mains, then I would  
12 agree that that's an aspect of my critique of the  
13 Company's proposal.

14                   Q. Okay. And -- and part of -- part of your  
15 concern with the Company's proposal was that it does  
16 allocate some -- some small diameter main costs to the  
17 large industrial customers. Is that right?

18                   A. No. No, that's not correct.

19                   Q. Okay.

20                   A. That's not correct.

21                   Do you want me to explain?

22                   Q. Please clarify.

23                   A. Sure.

24                   My concern is this.

25                   Distribution non-gas revenues, which is what



1 the Company wants to use for allocating FT-1 revenue  
2 credits, is full of costs, or full of cost recovery  
3 that, in light of absolutely nothing to do with serving  
4 FT-1 customers or the cost those customers are imposing  
5 on the system; namely, the distribution non-gas  
6 revenues includes meter costs, it includes small  
7 diameter main costs, it includes service line costs.

8 And my concern is that using those costs, as  
9 the basis for allocating the revenue credit, biases the  
10 credit such that it produces a larger credit for  
11 customers who incur a lot of those own costs  
12 themselves, and under-values the credit for the  
13 customers who don't have a lot of those costs as a  
14 component of their rates.

15 So it's not that it -- it increases the  
16 costs to transportation customers, it is that it  
17 over-allocates the credit, based on an inflated factor  
18 that's full of costs that have nothing to do with  
19 serving FT-1 customers for the most part.

20 Q. And I guess I was jumping past that, and the  
21 factor that includes costs, the part you're concerned  
22 about, is it includes costs, including mains costs.  
23 Right? Distribution mains?

24 A. I'm sorry, Mr. Monson, I don't follow your  
25 question.





1 Q. Does the factor that's used to allocate  
2 revenues, that you're objecting to, include costs  
3 associated with distribution mains?

4 A. Yes.

5 Q. And would you accept, subject to check, that  
6 some FT-1 customers do receive service off of  
7 distribution mains?

8 A. Oh, and I don't -- I don't dispute that.  
9 The question is what is a plausible metric to use to  
10 try to -- to capture the fundamental costs that these  
11 customers probably impose on the system.

12 Again, you have the Company has not provided  
13 a cost of service study that includes FT-1 customers,  
14 but we need to look at what we think is plausible, and  
15 what are the cost drivers. And I do not believe that,  
16 in small diameter mains costs, is a cost driver for  
17 serving FT-1 customers, despite the fact that they may,  
18 in fact, have some small diameter main costs that they  
19 incur.

20 Q. Okay. You mentioned you'd made -- you  
21 recommend two adjustments to the Company's cost of  
22 service study. Is that right?

23 A. Yes.

24 Q. Do either of those adjustments shift costs  
25 from -- from residential and small commercial customers



1 to large commercial and industrial customers?

2 A. No. However, I will say that -- I need to  
3 give a qualifying answer to this. And that is that I  
4 am recommending using allocation factor 232, the  
5 revenue credit, and I am recommending changing the  
6 weighting for that factor from 60/40 to 75/25.

7 And to the extent that I -- that I increase  
8 that factor, I am reducing the credit that would go to  
9 transportation service customers. If -- if the  
10 approach that I make -- that I'm recommending were  
11 adopted. But on net, it -- it does not shift costs  
12 from residential and general service customers to  
13 residential customers, which is the question, yes.

14 MR. MONSON: Thank you. That's all.

15 CHAIRMAN BOYER: Thank you.

16 Ms. Schmid, have you questions for  
17 Mr. Higgins?

18 MS. SCHMID: No questions.

19 MR. PROCTOR: May I have just a moment?

20 CHAIRMAN BOYER: You surely may.

21 MR. PROCTOR: I have no questions. Thank  
22 you, Mr. Chair.

23 CHAIRMAN BOYER: Thank you, Mr. Proctor.

24 Mr. Gardner, do you have questions for  
25 Mr. Higgins?



1 MR. GARDNER: I do not have any questions.

2 CHAIRMAN BOYER: Mr. Ball, do you have  
3 questions?

4 MR. BALL: No. Thank you, Chairman.

5 CHAIRMAN BOYER: Commissioner Allen?  
6 Commissioner Campbell?

7 He had -- maybe has one, but he chooses not  
8 to ask.

9 COMMISSIONER CAMPBELL: I'm going to ask it.

10 CROSS EXAMINATION

11 BY COMMISSIONER CAMPBELL:

12 Q. In your testimony, you would like to  
13 preserve the option for transportation customers to  
14 jump between the firm's allocation schedule. Is that  
15 right?

16 A. Yes.

17 Q. In your allocation of costs, do you  
18 recognize, at all, any additional costs associated with  
19 that option different than a new customer coming on the  
20 system?

21 A. No. I do not.

22 Q. When a new customer comes on the system,  
23 let's say GS-1 type customer, the Company typically  
24 then has that as part of their forecast as they plan  
25 out their system. How does the Company plan for these



1 larger customers who can bounce back and forth? Is  
2 there not a cost associated with maintaining some sort  
3 of stand-by capacity for them?

4 A. You know, I think that's a fair question.

5 My understanding is that this is not a  
6 widespread practice. In fact, my understanding is  
7 there is only one customer on the system taking service  
8 in this fashion right now, so I suspect that it has not  
9 caused forecasting problems for the Company. I  
10 would -- I would suspect that it has not.

11 I do believe that if there were concerns  
12 about whether this would cause forecasting problems,  
13 then I would -- I would suggest that, rather than  
14 simply banning the ability of a customer to have this  
15 option, that customers be required to provide a certain  
16 amount of advance notice before requesting to use it.

17 To me, that would be a more reasonable  
18 approach to address that kind of concern.

19 Q. When you say advanced notice, would that be  
20 something like some sort of contractual term, as far as  
21 being on one service?

22 A. Yes. Yes. And I -- and I would also point  
23 out that, as I understand it, the Company's proposed  
24 ban on taking both types of service at the same time  
25 does not extend to a customer switching entirely back





1 to sales service for its entirely load.

2 So, to me, you know, that option would still  
3 be available to customers, and that would provide, you  
4 know, a greater degree of uncertainty, I would think,  
5 than a customer who simply wants to purchase a ribbon  
6 of firm supply service from the Company.

7 I mean, I'm looking at this as an option  
8 that customers have, you know, or a handful of  
9 customers may have determined that, for the purpose of  
10 purchasing firm supply service, they'd like to buy it  
11 from the Company, and they've exercised that option.

12 But, you know, the issue of -- of creating  
13 forecast and difficulties is not something that would  
14 go away by banning a customer being able to  
15 simultaneously take firm sales service and interrupt  
16 transportation service. I see it really, quite  
17 frankly, more along the lines of being punitive towards  
18 a customer who simply wants to exercise that option.

19 And that's -- that's the most I can read  
20 into the Company's position on this.

21 CHAIRMAN BOYER: Any redirect, Mr. Dodge?

22 MR. DODGE: No. Thank you, Mr. Chairman.

23 CHAIRMAN BOYER: Thank you. You may step  
24 down Mr. Higgins.

25 I think that brings us to AARP, Mr. Gardner.



1 MR. GARDNER: That's correct. AARP calls  
2 Mr. Charles Johnson.

3 (Whereupon, Exhibit Nos. AARP-5 and  
4 AARP-6 were marked for identification.)

5 CHAIRMAN BOYER: It's Dr. Johnson, is it  
6 not?

7 THE WITNESS: It is.

8 CHAIRMAN BOYER: Dr. Johnson, will you  
9 please raise your right hand?

10 CHARLES E. JOHNSON,  
11 having first been duly sworn, was examined and testified  
12 as follows:

13 DIRECT EXAMINATION

14 BY MR. GARDNER

15 Q. Would you please state your name?

16 A. Charles E. Johnson.

17 Q. And your address?

18 A. My business address is 1086-7B Pleasant  
19 Boulevard; Toronto, Ontario, M4T1K2.

20 Q. How do you earn your living, Mr. Johnson?

21 A. I'm an independent utility consultant.

22 Q. And on behalf -- on whose behalf are you  
23 testifying today?

24 A. I'm testifying on behalf of AARP, Salt Lake  
25 Community Action Program, and Crossroads Urban Center.



1 Q. And have you previously prepared and filed  
2 AARP Exhibit 2, your direct testimony, filed I believe  
3 on what day?

4 A. August 18th, 2008.

5 Q. Did you do that?

6 A. Yes, I did.

7 Q. And did you also prepare and file what has  
8 been labeled as AARP Exhibit 3, your rebuttal  
9 testimony, filed on September 22nd, 2008?

10 A. Yes, I did.

11 Q. Now, your direct testimony also includes  
12 Exhibit CEJ-1 through CEJ-8, does it not?

13 A. Yes, it does.

14 Q. Okay.

15 Did you also prepare and file what's been  
16 labeled as AARP Exhibit 4, your surrebuttal testimony,  
17 filed on October 7th, of 2008?

18 A. Yes, I did.

19 Q. Are there any corrections to your testimony?

20 A. Yes, there are.

21 Q. Are those corrections contained in what has  
22 been labeled AARP Exhibit 5 and AARP Exhibit 6?

23 A. Yes, they are.

24 Q. Would you tell the Commission and the  
25 parties here today what the first correction is? The



1 one contained on AARP Exhibit 5?

2 A. Exhibit AARP Exhibit 5, line -- which is  
3 page four of my direct testimony, at line eight, the  
4 word over and the percentage 60 percent should be  
5 stricken and replaced with nearly 50 percent.

6 Q. And how did that mistake occur?

7 A. I looked at the residential component, which  
8 was less than 40 percent, rather than the total for the  
9 GS-1 category, including both residential and  
10 commercial.

11 Q. Does this correction affect any of the  
12 recommendations you've made to the Public Service  
13 Commission?

14 A. It does not.

15 Q. Or any of the conclusions contained in any  
16 of your testimony?

17 A. No.

18 Q. Let's go to the correction that's contained  
19 in AARP Exhibit 6.

20 Would you tell the Public Service Commission  
21 what correction this is?

22 A. Yes. This is a revised Exhibit CEJ-5. And  
23 the last column of that exhibit, the table in that  
24 exhibit, lists the change between the current revenue  
25 and the Questar proposed revenue.





1           The arithmetic, I seem to have suffered a  
2 calculator failure. And I have no idea where those  
3 numbers that are stricken came from, or how they got  
4 there, but they are wrong, and the stricken numbers  
5 should be replaced with the numbers immediately below  
6 them.

7           Q. But the totals remain the same, don't they?

8           A. Yes.

9           Q. Okay. Does the correction on AARP Exhibit 6  
10 change any of your recommendations that you made to the  
11 Public Service Commission?

12          A. No, it does not.

13          Q. Or any of the conclusions contained in your  
14 testimony?

15          A. No.

16           MR. GARDNER: AARP moves for the admission  
17 of Exhibits 2 through 6.

18           CHAIRMAN BOYER: Are there any objections to  
19 the admission of Dr. Johnson's direct and rebuttal  
20 testimony, together with exhibits?

21           Seeing none, they're admitted into evidence.

22                           (Whereupon, Exhibit No. AARP 2-6  
23                           were received.)

24           MR. GARDNER: Dr. Johnson is available for  
25 cross-examination.



1 THE WITNESS: I do have a summary of my  
2 testimony.

3 MR. GARDNER: Oh. Excuse me.

4 THE WITNESS: If I may.

5 [MR. GARDNER: Read the summary first.

6 CHAIRMAN BOYER: Very well, Dr. Johnson.

7 THE WITNESS: And I might point out that  
8 there was also surrebuttal testimony, which was  
9 Exhibit 4.

10 MR. GARDNER: We moved for that admission.  
11 2 through 6. 2, 3, 4, 5, and 6.

12 CHAIRMAN BOYER: Okay. I guess I didn't --  
13 I don't have that in front of me, so I didn't include  
14 that.

15 But are there any objections to the  
16 admission of surrebuttal then?

17 No one objected, so all three components of  
18 your testimony are admitted into evidence.

19 (Whereupon, Dr. Johnson's Direct,  
20 Rebuttal, Surrebuttal with exhibits  
21 were marked for identification.)

22 THE WITNESS: Thank you.

23 There are three issues that I wish to  
24 address in my summary.

25 The first issue was the Questar-proposed



1 increase in security deposits, the second is the split  
2 of the GS-1 rate class into commercial and residential  
3 components, and the third one is the Questar-proposed  
4 increase in the basic service fees.

5 Starting with the security deposit, which is  
6 a tariff issue, I have three points that I wish to make  
7 about the security deposits.

8 First of all, the previous actions described  
9 by Mr. Bakker in his testimony, there is no evidence  
10 that any of those actions taken by the Company in the  
11 past several years have had any impact on the  
12 uncollectibles or the write-offs made by the Company  
13 during that time.

14 They made no adjustment in this rate case  
15 for any impact of those -- those changes, even though  
16 the changes had been made more recently than the data  
17 for which they qual -- which they used in calculating  
18 the uncollectibles for recovery in their rate case.

19 The second issue about the security deposits  
20 is in the proposed tariff changes in Mr. Bakker's  
21 testimony.

22 The first thing I would note is that it's a  
23 relatively small difference in the revenue. It's less  
24 than \$180,000.

25 And that should be compared with the



1 write-offs during the past four years, which have  
2 ranged between about \$4.7 million and \$7 million.

3 In fact, the write-offs are more closely  
4 related to the size of the buildings. And I show, in  
5 my Exhibit CEJ-7, the close relationship between the  
6 size of buildings and the 30-day arrearages.

7 The correlation coefficient between those  
8 two, with a 30-day lag for the 30-day arrearages, is  
9 about .92, which is an extraordinarily high correlation  
10 coefficient.

11 For the 60-day arrearages and the 90-day  
12 arrearages, the correlation coefficient is still  
13 somewhat lower, but still quite high, as is the  
14 correlation coefficient between the -- the size of the  
15 buildings, and the write-offs that occur six months  
16 later.

17 Lastly, on the issue of security deposits, I  
18 would like to point out the impact on low-income  
19 customers.

20 Currently, they are about four times more  
21 likely to pay a security deposit than other residential  
22 customers.

23 I think it's quite clear that low-income  
24 customers are more likely to have financial problems  
25 than customers who have adequate levels of income, and,





1 as a consequence, they are forced to pay more to get  
2 service now, because of the requirement that they pay a  
3 security deposit during the first several months of  
4 their service.

5 As a result of paying that higher up-front  
6 charge, and the fact that write-offs tend to be related  
7 to the costs, these low-income customers are likely to  
8 have a higher default rate in the future than they  
9 would if the -- if the security deposit were not as  
10 large.

11 When these customers do default and are  
12 forced to leave the system, then there is a loss in  
13 fixed-cost contributions to the Company from what those  
14 customers would be paying.

15 So, for these reasons, I recommend that the  
16 Commission reject the Company's proposal to increase  
17 security deposits on customers.

18 Now, turning to rate design issues, to go  
19 both the other two issues, the split of the GS-1 class  
20 and the proposal to increase the basic service fee are  
21 rate design issues really.

22 And so in order to address those, I would  
23 like to begin by looking at the objectives in rate  
24 design. And I go back to Bonbright, which I think has  
25 been mentioned numerous times.



1           The principal objective -- and perhaps this  
2 will answer the Commission's question about how you  
3 balance the objectives when you have conflicting  
4 objectives. At least it will give my opinion of how  
5 that -- that balance is to be obtained.

6           The principal objective is to design rates  
7 that reflect the cost of providing service.

8           And a secondary objective, at this time, and  
9 one that is becoming much more important in our -- our  
10 country today, is encouraging the efficient use of  
11 resources, and conservation of those resources.

12           Now, when designing rate classes, and  
13 deciding how to separate a class such as the GS-1  
14 class, the objective should be to collect customers  
15 into homogeneous groupings that have similar cost  
16 characteristics.

17           The reason for this is, once you have  
18 customers in groupings, in customer classes, that have  
19 similar cost characteristics, the design of the rates  
20 for that class become a lot more tolerant of  
21 differences.

22           That is, if you were designing rates for  
23 identical customers, if every customer in the class had  
24 identical usage patterns, then you could collect the  
25 money almost any way you wanted. Just divide it up by



1 the number of customers and charge each one that  
2 amount. Which is, in fact, the way that custom -- gas  
3 companies used to design rates for ornamental lighting.  
4 They did not measure throughput. They calculated the  
5 throughput, and they charged the flat rate for an  
6 ornamental light.

7 If customers were all identical in a class,  
8 you could do the same thing. You wouldn't need to  
9 measure -- you wouldn't need to have meters on them,  
10 you wouldn't need to measure anything or do any  
11 calculations other than say, This is your bill for the  
12 month.

13 But we don't have customer classes quite  
14 like that. Our objective is to get groupings of  
15 customers that are generally like that. And that's the  
16 objective here.

17 The problem that we face with the Company's  
18 proposal is that, after dividing the rate class by  
19 residential and in the commercial class, you still have  
20 very small commercial customers and very large  
21 commercial customers.

22 And the only way the Company can see to  
23 design rates to deal with that wide variety of  
24 customers, as Mr. Bateson put it in his  
25 cross-examination, is to use declining block rates and



1 to use the basic service fee.

2 Those -- both of those are antithetical to the  
3 second objective that I want to address, the efficient  
4 use of resources and conservation of resources.

5 So we ought to be looking at designing  
6 customer classes that have more homogenous groupings.

7 Now, Mr. -- Mr. Robinson observed that the  
8 smaller commercial customers have usage patterns that  
9 are very much similar to the residential class, so  
10 there is no reason for separating those two groupings.

11 Mr. Bateson mentioned in his testimony that  
12 Questar uses size and load factor for some of their  
13 rate class categories, and at the time I think he was  
14 addressing that he was mentioning that this does create  
15 problems where you're looking at customers at the  
16 boundary of these two separations.

17 And admittedly that is a problem, but it --  
18 that sort of problem has to be resolved.

19 And you can ameliorate the problem by  
20 requiring customers to stay on a rate schedule for a  
21 given period of time. And I think that's what the  
22 Company does in that case.

23 Let me point out lastly here, two problems  
24 with this proposal to separate the GS-1 class by using  
25 the tax code to separate into commercial and





1 residential.

2           The first -- the first -- and I've addressed  
3 the problem of the tax code. I won't go into that. I  
4 think that's been aptly discussed during these  
5 hearings.

6           But the problem is one that I did mention in  
7 my testimony, and that is, you lock in a change and it  
8 makes it much more difficult to do something different  
9 next time.

10           Since I do argue that there is no  
11 justification for splitting the small commercial off  
12 from the residential, if -- if, in the next rate case  
13 you want to split the commercial into two classes, a  
14 large and a small, then you might want to put the small  
15 commercials back into the -- with the residential.  
16 And -- and these things become much more difficult once  
17 you've made a decision and locked yourself in.

18           The second is a -- is an issue I raised in  
19 my surrebuttal testimony, that seems to have gone by  
20 unnoticed. And that is that the Questar proposal  
21 changes rates for almost noone.

22           Look at the different categories of  
23 customers we're dealing with here.

24           For residential customers that use more than  
25 45 decatherms a month, instead of a declining block



1 rate, they will pay a flat rate.

2 So that's a change. And that's a small  
3 number of customers.

4 For commercial customers that use more than  
5 45 decatherms, they're still going to be paying a -- a  
6 declining block rate. That's pretty much the same as  
7 the GS-1 rate now.

8 And for commercial customers using less than  
9 45 decatherms a month, they're going to have their  
10 rates set equal to the residential rate class. So  
11 there's -- they're separating them out from the  
12 residential customers. Doesn't change their costs at  
13 all. So they'll be paying the same rate.

14 So the practical effect of this proposal  
15 is -- is slight. It has almost no effect on any of the  
16 rate designs that the customers pay.

17 The one -- the one place it does make a  
18 difference is for the larger commercial customers. If  
19 the -- if the Commission accepts the cost of service  
20 study that has been provided by the Company, that  
21 asserts that the commercial class is already paying its  
22 cost of service, and the small commercial customers are  
23 paying the same rates as residential customers, then  
24 the large commercial customers get quite a benefit from  
25 the rate that will have to be designed to recover the



1 balance of that revenue.

2           So they will get a decrease, first of all,  
3 from the assertion that the cost of service for the  
4 class is lower, and secondly, from the fact that the  
5 small commercial customers will be paying as much as  
6 residential customers, which presumably exceeds their  
7 cost of service, if they are part of the commercial  
8 class.

9           If they're not to be considered part of the  
10 commercial class and not to benefit from the lower  
11 class cost of service, then why not leave them with  
12 their residential class?

13           So my recommendation is that you defer  
14 decision on this. And maybe I'm an eternal optimist, I  
15 would like to believe that the parties can get together  
16 and focus on this one issue, reach an agreement about  
17 how the class should be split, to provide for rates  
18 that are -- are more appropriate for all of these  
19 customers.

20           So lastly, now returning to the larger issue  
21 of rate design, and specifically to the basic service  
22 fee.

23           I have two things to say about that. And  
24 the first one is that having a small basic service fee  
25 simply means that the volumetric charge can be higher,



1 which promotes conservation. And I would note that  
2 Questar's proposal, because of the fact they have  
3 proposed such large increases in the basic service  
4 fees, it is necessary for them to reduce the volumetric  
5 charges.

6 Now, I think that's totally inappropriate in  
7 today's environment.

8 The second point I would make is that  
9 grouping customers by size permits flatter rates,  
10 because the declining block rates aren't necessary in  
11 that case. And that also provides -- promotes  
12 conservation.

13 So, for those reasons, I would urge that the  
14 Commission leave the basic service fees at the current  
15 level.

16 That concludes my summary.

17 MR. GARDNER: Dr. Johnson's available for  
18 questioning.

19 CHAIRMAN BOYER: Thank you, Dr. Johnson.

20 We're going to take a ten-minute recess and  
21 then we'll commence with cross-examination.

22 Thank you, Mr. Gardner.

23 (Whereupon, a break was taken.)

24 CHAIRMAN BOYER: I think we're lacking

25 Mr. Proctor.





1           Okay. As Mr. Proctor is walking to his  
2 chair we'll go back on the record.

3           And Dr. Johnson is now available for  
4 cross-examination. We'll begin with the Company.

5           Mr. Monson.

6           MR. MONSON: Thank you.

7                           CROSS EXAMINATION

8 BY MR. MONSON:

9           Q. Dr. Johnson, you disagree with the proposal  
10 to raise the basic service fee.

11          A. Yes, I do.

12          Q. And one of the reasons is that the proposed  
13 increase will encourage customers to consume more gas,  
14 in your view.

15          A. Well, it's because the -- if you increase  
16 the basic service fee, it's necessary to reduce the  
17 volumetric charge. So a lower volumetric charge will  
18 encourage customers to use more gas.

19          Q. Okay.

20                 And I'll let Mr. Dodge follow up on that if  
21 he wants to.

22                 But you say in your testimony that while  
23 this might be good for Questar's revenues, it is not  
24 desirable in this environment of conserving resources.

25                 Do you recall that?



1 A. Yes.

2 Q. And you recognize that an increase in the  
3 basic service fee does not affect the gas cost  
4 commodity portion of the Company's rates. Right?

5 A. I understand that, yes.

6 Q. And the gas costs commodity portion of the  
7 rates is currently about 70 percent of the amounts  
8 customers pay. Right?

9 A. That's my understanding.

10 Q. And if -- and if it will only affect the DNG  
11 portion of the rates, increasing the basic service fee,  
12 right?

13 A. Yes.

14 Q. And so if customers purchase more gas, 75  
15 percent of their bill will still increase regardless of  
16 the change in the basic service fee. Right?

17 A. I guess I agree with that phrasing of the --  
18 of the assertion.

19 Q. Okay.

20 And you understand that the gas commodity  
21 portion of the rate is simply a pass-through of the gas  
22 costs that the Company incurs?

23 A. Yes, but I would point out that I -- in my  
24 opinion, that pass-through ought to be distinguished  
25 by -- by season, and -- because the costs of -- of



1 meeting the winter peak are higher. You have to  
2 have -- the Company has to have storage facilities, and  
3 the cost of purchasing gas during the winter season  
4 is -- is higher. So it's my understanding that  
5 these -- these projections are made on an annual basis,  
6 are -- I shouldn't say an annual basis -- on a 12-month  
7 forward basis, and so that they -- they average out all  
8 of those -- those differences that exist in the -- in  
9 the commodity price.

10 And so to some extent we -- a little bit of  
11 that can be corrected by modifying the DNG portion of  
12 the rate. It's the only portion that has a seasonal  
13 differential, I believe.

14 Q. So, anyway, increasing sales of gas doesn't  
15 benefit Questar Gas through the commodity portion of  
16 the rate. Right?

17 A. I shouldn't have said that. That's --

18 Q. Oh, okay.

19 A. It's not -- it's not a big thing, but I --  
20 it's simply not something I should have said, if  
21 that's --

22 Q. Okay.

23 And you also recognize that with the CET in  
24 place, Questar Gas doesn't benefit from selling more  
25 gas, does it?



1 A. Right.

2 Q. Okay.

3 Do you agree that it's a fundamental  
4 principal of rate-making, that customers should pay the  
5 cost of services to serve them?

6 A. Yes.

7 Q. And you also mention basic economic theory  
8 in your testimony. Is that right?

9 A. Yes.

10 Q. Then do you agree that the highest  
11 efficiency in use of a product is achieved when fixed  
12 costs are recovered through fixed charges, and variable  
13 costs are recovered through variable charge?

14 A. No. No. The reason is that the variable  
15 costs fluctuate during the year, and the rates are  
16 designed to recover on an average basis, these things.  
17 So the highest cost commodity doesn't -- doesn't -- is  
18 not reflected in the rates to the customer. So they  
19 never see the real imposition of the -- the costs that  
20 they impose on the Company.

21 Q. So if we -- if the basic service fee is not  
22 covering the cost of service, customer charge, then  
23 isn't it true that customers who are -- that the  
24 volumetric component of the distribute -- of the DNG is  
25 higher than it otherwise would be? Is that right?





1           A.    Yes.  That -- that was my point in saying  
2 that it would encourage more conservation.

3           Q.    Okay.

4                    So, if the -- if customers -- you're kind --  
5 you're representing the interests, if I understand it,  
6 of AARP and the Salt Lake Community Action Program.  Is  
7 that right?

8           A.    As well as Crossroads Urban Center.

9           Q.    Right.

10                   And so you're representing people like me,  
11 senior citizens, and you're also representing  
12 low-income people.  Is that fair?

13           A.    That's who these communities -- these -- the  
14 sponsors of the testimony have as their clients, yes.

15           Q.    Did you hear the example I gave to Mr. Orton  
16 earlier, about the two houses next door to each other,  
17 with the elderly couple that are retired and have a  
18 home in Palm Springs, and the young family that's  
19 struggling to get by?

20           A.    Yes, I did.

21           Q.    Without reviewing the entire scenario again,  
22 but I will if you want me to, but how do you resolve  
23 that, given the customer groups that you represent?

24           A.    Well, there are several answers to that  
25 question.



1           One is that the -- you make an attempt to  
2 collect the customers into homogeneous groupings. And  
3 that's why you don't want huge customers in with very  
4 small customers. And that's one of the reasons that I  
5 reject the idea of having small commercial customers in  
6 with these customers consuming fairly substantial  
7 amounts of gas.

8           But as far as the -- the real issue you're  
9 raising is one that you cannot do perfect rates. You  
10 do the best you can.

11           And adding to that, I would argue that when  
12 you -- when the Company calculates the -- it's  
13 so-called cost of service, that is not like an  
14 accounting number. It's -- it's an approximation.  
15 It's allocations of numbers that are based on -- on  
16 things from the past, like throughputs and various  
17 other kinds of actions. And it doesn't -- it's not as  
18 though it's a hard and fast number. There are a lot of  
19 approximations that go into doing that calculation.

20           And for that reason, I don't -- I don't  
21 think that -- that it should be treated as so sacred  
22 that it -- that it -- that they -- the fixed charge has  
23 to recover what the Company has calculated as the --  
24 the basic service fee.

25           Q. Okay. But in the example I gave, we agreed



1 that the hypothetical was that the amount charged to  
2 these two customers was identical. Right?

3 That the --

4 A. Yes.

5 Q. The family and the retired couple.

6 And so putting aside for a minute the fact  
7 that we -- we might have disagreements about how to do  
8 that, assuming that's the case, if the -- if the  
9 customer charge isn't covering the cost, then the  
10 family is subsidizing the elderly couple. Right?

11 A. No. I -- that's what I disagree with. I --

12 When you say it's -- if -- if the customer  
13 charge is not recovering the costs, I dispute whether  
14 or not the cost that the Company claims is really the  
15 cost of providing service.

16 And I would point out that -- that if -- if  
17 you used a more incremental cost approach, a marginal  
18 cost approach if you will, you might find a vastly  
19 different cost structure that -- that would provide  
20 incentive to -- to have even higher volumetric charges  
21 and lower customer charges of basic service fees.

22 Q. So you're rejecting my hypothesis?

23 A. Yeah, I reject part of the hypothesis.

24 And -- and I would also point out that as I  
25 said earlier, you can't do perfect rates. You can't



1 make them match exactly what your idea of cost is. And  
2 you do the best you can on kind of gross groupings,  
3 and -- of fairly -- a fairly gross rate design.

4 You've only got a two-part rate design, or  
5 if you include the -- the declining block, a  
6 three-part. You've got either the customer charge or  
7 the volumetric charge. And, from my perspective, the  
8 customer charge is the lesser important of the two.

9 And that's primarily because the -- the  
10 efforts to encourage conservation and to -- to -- to  
11 make sure that customers are paying what I presume to  
12 be the incremental cost of their service.

13 Q. Okay. You also object to the use of cost  
14 curves by the Company. Is that right?

15 A. Well, yeah. I object to the -- to the use  
16 of that particular kind of curve to calculate rates.

17 And I understand why Mr. Robinson did it, I  
18 just don't think it's an appropriate thing to rely on  
19 totally.

20 Q. I handed you, during the break, a copy of  
21 QGC Cross 2, which is the minutes of the -- of the rate  
22 design -- cost of service and rate design task force.  
23 Do you have that?

24 A. Yes, I do.

25 Q. Could you turn to paragraph number four,





1 which is on page four?

2 A. I have that.

3 Q. Do you have that?

4 Can you see there that the -- starting in  
5 the third full sentence on -- end of the third line, it  
6 says, There was a consensus of the task force  
7 participants that the cost curves are an analytical  
8 starting point for future discussions regarding the  
9 design of block point breaks, basic service fee levels,  
10 and rate levels in the blocks.

11 Do you see that?

12 A. Yes, I do.

13 Q. Do you disagree with that?

14 A. If the GS-1 class were to remain  
15 encompassing all of the customers that it currently  
16 does, then you have to do something to adapt to such a  
17 wide variety of customers.

18 The point of separating the GS-1 class is to  
19 get the customers in more homogeneous groups where it's  
20 not necessary to use those.

21 Q. Okay. And so your -- although you're at  
22 this point recommending the Commission defer decision  
23 on separating the classes, you actually support it, it  
24 sounds like?

25 A. I support what?



1 Q. A separation of the GS-1 class.

2 A. Oh, I absolutely support separation of the  
3 class, I just -- I just don't support the Company's  
4 proposed separation.

5 Q. Okay.

6 Did you have an opportunity to review  
7 Mr. Bateson's exhibit where he showed the cost of  
8 service and then showed his effort to compute the cost  
9 of service for various volumetric usages of customers  
10 within that class?

11 A. Yeah, I'm sure I reviewed that. I don't --  
12 I don't believe I have it with me.

13 Q. You don't have that? Okay.

14 Okay. Let's go to security deposits for  
15 just a minute.

16 Do you agree that the purpose of a security  
17 deposit is to provide revenue in the event a customer  
18 does not pay his or her bill?

19 A. I think I agree with that, yes.

20 Q. And is it more likely that a customer with a  
21 poor credit record will fail to pay his or her bill  
22 than a customer with a good credit record?

23 A. I think that's probably true. I don't  
24 have -- I haven't done a study of that, so I -- I don't  
25 know that for a fact, but I think I have seen data that



1 suggests that may be the case.

2 And it certainly is logical.

3 Q. So do you think it makes sense for the  
4 Company to require a customer with poor credit history  
5 to pay a security deposit?

6 A. Well, it probably makes -- makes some sense  
7 from some perspective, but from other perspectives it  
8 doesn't. And those are the perspective that I outlined  
9 in my testimony.

10 Q. Okay. And you argued, in your testimony,  
11 that low-income customers are more likely to have a  
12 poor credit history. Is that right?

13 A. I think I said that in my testimony, yes.

14 Q. And I think you said it in your summary  
15 today too.

16 A. Yes.

17 Q. And your concern is that making them pay an  
18 increased security deposit will make it even harder for  
19 them to pay their bill. Is that right?

20 A. Yes, I believe that.

21 Q. So even making them pay a one-month security  
22 deposit then would make it harder for them to make  
23 their bill, wouldn't it?

24 A. It would make it harder for them to pay  
25 their bill if there was a security deposit. In fact, I



1 am aware that there are studies showing that a great  
2 many people who are homeless are there because they  
3 can't get together the cash to pay a deposit on an  
4 apartment plus the deposit on utilities. And this is a  
5 real problem for low-income people.

6 Q. So you're recommending that security  
7 deposits for customers with poor credit history be  
8 eliminated entirely?

9 A. I don't think I made that recommendation.

10 Q. Okay.

11 Now, not all low-income people have poor  
12 credit histories. Is that right?

13 A. That's -- that would certainly be my  
14 expectation.

15 Q. And, in fact, the vast majority of them  
16 don't have a poor credit history. They pay their  
17 bills. Right?

18 A. As far as I know they do, yes.

19 Q. Do you think that the low-income customers  
20 who do pay their bills regularly and don't have poor  
21 credit want to see their rates increase because of the  
22 failure of others to pay their bills?

23 A. I'm sure they don't, but nobody wants to see  
24 their bills increase.

25 Q. Let's turn to the after-hours reconnection





1 issue.

2 A. Okay.

3 Q. You're opposed to the proposal of the  
4 Company to charge an increased fee for after-hours  
5 reconnection. Right?

6 A. I thought it was surprising that the Company  
7 included it because it's such a small issue. So I -- I  
8 was surprised to see it, and I'm surprised that it's  
9 created any controversy at all.

10 But, yeah, I -- I -- it strikes me as  
11 unnecessary.

12 Q. Well, if it's such a small issue, then it  
13 shouldn't matter one way or the other, should it?

14 A. I meant a small issue to the Company. It's  
15 a big issue for someone who will -- who has their  
16 service disconnected.

17 And the primary thing that I was concerned  
18 about was an example of the kind that I mentioned that  
19 happened to me some years ago, where I was forced to  
20 spend a weekend without gas because, during the day  
21 Friday, of -- a mailman smelled gas around my house.  
22 Called the Company. The Company came out, ascertained  
23 that there was a leak somewhere downstream from the  
24 meter, which was at the curb, and shut the gas off.

25 And I arrived home to find a doorknob tag,



1 and the Company -- I got it repaired the next morning  
2 on a Saturday. I paid a plumber a fee to come out and  
3 replace the line, but the Company wouldn't come turn  
4 the gas on until Monday. And fortunately we had a wood  
5 burning fireplace.

6 But I can perfectly well imagine some  
7 elderly woman sitting around freezing to death because  
8 she doesn't -- she can't afford the \$100 or the \$150  
9 that the Division wants to get it reconnected. And  
10 I -- it just seems to me there ought -- at the very  
11 least, ought to be an exclusion for health and safety  
12 actions similar to that.

13 Q. Well, are you aware that the Company can't  
14 disconnect service if a customer -- if it will cause or  
15 aggravate a serious illness or injury?

16 A. Oh, I think the Company has to if there's a  
17 safety issue, doesn't it? If there's a leak, don't  
18 they turn the gas off?

19 Q. Okay. I'm talking about there's two -- two  
20 different things. And maybe I better be more clear.

21 We have a disconnection of service, on the  
22 one hand, which is not only turning the gas off, but  
23 locking it. So it can't be turned back on.

24 Do you understand that? And then there's  
25 just turning the gas off because there's a leak.



1 Do you understand the difference I'm making?

2 A. I'm not aware of that difference, no.

3 Q. Okay.

4 Well, I can show you the Commission's rules  
5 if you want, but the Commission -- the Company can't  
6 disconnect service if there's -- if the customer -- if  
7 doing so will cause or aggravate a serious illness or  
8 infirmity. Would you accept that, subject to check?

9 A. Okay. I'll accept that.

10 Q. So -- so if there's a real health issue,  
11 this will never come up. Do you understand that?

12 A. I guess it still seems to me if there's a  
13 leak, you will turn the gas off.

14 Q. Okay. And I'm going to come to that.

15 A. Okay.

16 Q. And actually we're coming out of your  
17 experience.

18 A. Okay.

19 Q. Okay.

20 A. That might be helpful.

21 Q. And is that why you're -- maybe that's why  
22 you're so passionate about this. Is that right?

23 A. Possibly.

24 Q. All right.

25 A. It was an annoyance at the time, and I



1 haven't forgotten it.

2 Q. Okay.

3 So you had a leak, and a mailman reported it  
4 and they turned off the gas. Are you glad they turned  
5 off the gas?

6 A. Absolutely.

7 Q. Are you aware that if the Company turns off  
8 the gas because of a leak on your side, the customer's  
9 side of the meter, that again, they don't disconnect  
10 service, they just turn off the gas?

11 Do you understand that?

12 A. I wasn't aware that the terminology  
13 disconnect had that distinction.

14 Q. And are you aware that if, when your plumber  
15 came and repaired the pipe -- at least today. I don't  
16 know how long ago this happened. But today, he could  
17 turn back on the gas at the meter as soon as he  
18 repaired your pipe?

19 A. He couldn't. The gas company had to do  
20 that.

21 Q. Okay.

22 A. At that time.

23 Q. So in your circumstance, at that point in  
24 time, the gas company had to do it. But are you aware  
25 today that the licensed contractor can do it?





1 A. I accept that.

2 Q. So there would no reconnection fee in your  
3 circumstance, because there's no disconnection,  
4 therefore no reconnection. Right?

5 A. Okay.

6 Q. So given those conditions, do you feel so  
7 passionate about this issue now?

8 A. I need to study that a little more  
9 thoroughly, since I -- I -- I was not aware of the  
10 distinction between turning off the gas and  
11 disconnection. I took it to mean disconnect meant turn  
12 the gas off. So I need to examine that.

13 But I -- I'm not sure I would -- I would  
14 concede that -- that I would agree with the Company's  
15 position at this point. That's -- until I had a chance  
16 to review it, that would be my position.

17 Q. Okay. Thank you.

18 MR. MONSON: That's all I have.

19 CHAIRMAN BOYER: Thank you, Mr. Monson.

20 Ms. Schmid?

21 MS. SCHMID: No questions.

22 CHAIRMAN BOYER: Mr. Proctor?

23 MR. PROCTOR: No questions, thank you.

24 CHAIRMAN BOYER: Mr. Dodge?

25 MR. DODGE: No questions, thank you.



1 CHAIRMAN BOYER: Mr. Ball?

2 MR. BALL: Yes, I do have one or two,  
3 please, Mr. Chairman.

4 CROSS EXAMINATION

5 BY MR. BALL:

6 Q. Hello, Dr. Johnson.

7 A. Good afternoon, Mr. Ball.

8 Q. To your knowledge -- woops, excuse me.

9 To your knowledge, Dr. Johnson, is it true  
10 that Questar Gas Company buys about half the gas that  
11 it supplies to its customers on the -- in the  
12 marketplace?

13 A. I don't know the exact percentage, but I --  
14 I'm aware a substantial portion of it is provided by  
15 Company-owned gas and a substantial portion is  
16 purchased in the market.

17 Q. What would you suppose would happen to the  
18 market price of gas, the more gas Questar Gas Company  
19 buys in the marketplace?

20 A. Well, in general, one would expect the  
21 more -- if more gas were being purchased in the  
22 marketplace, that the price would increase.

23 Q. Are you -- are you aware that Questar  
24 Corporation, the parent company of Questar Gas Company,  
25 also owns -- wholly owns Questar Exploration and



1 Production?

2 MR. MONSON: I want to interpose an  
3 objection.

4 I know this isn't my witness, but Mr. Ball  
5 is asking questions that not only go totally beyond the  
6 scope of this witness's testimony, but are raising an  
7 issue that is not even before this Commission in this  
8 proceeding.

9 MR. BALL: On the contrary, Mr. Chairman.  
10 Mr. Monson asked a question about whether or not it was  
11 in the interests of Questar Gas Company to sell more  
12 gas, extracting the answer that it wasn't.

13 I believe that I'm countering that, and I  
14 believe that in a moment, if you'll give me a little  
15 latitude, you'll see that.

16 CHAIRMAN BOYER: Well, I --

17 I'm going to sustain the objection because I  
18 think you're confusing the parent company from the  
19 regulated utility, and his question went to the  
20 regulated utility.

21 MR. BALL: Certainly. But the regulated  
22 utility is an owning corporation, Questar Corporation,  
23 which has other linked interests. And I intend to  
24 show, through this cross-examination, what that link is  
25 with regard to the price of natural gas.



1                   MR. MONSON: So he's trying to impeach the  
2 witness for an answer he gave me on cross-examination.  
3 It's not even his witness. It just seems to be totally  
4 improper and outside of the scope of this hearing, so I  
5 would continue to object.

6                   MR. BALL: I don't think it's either  
7 improper or outside of the scope of the hearing.  
8 Mr. Monson opened the door.

9                   MR. PROCTOR: Mr. Chairman, if I might  
10 interpose, as well, an objection.

11                   This is a clear example of an attempt to  
12 make your case through cross-examination. A case, by  
13 the way, that Mr. Ball has not even testified to in  
14 what little pre-filed written testimony he's filed.  
15 It's absolutely objectionable.

16                   MR. BALL: On the contrary, Mr. Chairman,  
17 the fact of the matter is that the answer that  
18 Mr. Monson solicited or elicited from Dr. Johnson gives  
19 a wholly incorrect impression of reality. And my only  
20 interest is to ensure that the real situation is before  
21 the Commission in this matter.

22                   CHAIRMAN BOYER: Well, I guess we'll have to  
23 agree to disagree on that. I sustain both objections,  
24 and we won't be going in that direction with  
25 Dr. Johnson.





1 Do you have other questions?

2 MR. BALL: Oh, you did a great job of  
3 shutting me down, Chairman. Thank you.

4 CHAIRMAN BOYER: All right. Thank you,  
5 Mr. Ball.

6 Commissioner Allen, have you questions for  
7 Dr. Johnson?

8 I just have a question or two, Dr. Johnson.

9 EXAMINATION

10 BY CHAIRMAN BOYER:

11 Q. You testified that the Company has not  
12 provided any evidence that imposing a security fee or  
13 imposing a higher security deposit on those with bad  
14 credit actually affects bad debt expense or write-offs  
15 and this sort of thing. Isn't that what you said  
16 earlier?

17 A. Yeah. That was related to the actions taken  
18 by the Company in the past couple of years.

19 Q. In the past.

20 A. Yes.

21 Q. Do you have experience with other gas  
22 distribution companies? As to whether or not they  
23 impose security deposits for new customers and/or  
24 higher deposits for those with bad credit?

25 A. It's not uncommon in my experience. It's



1 not universal, but it's certainly not an uncommon thing  
2 for a company to require a security deposit for new  
3 customers, or for customers that have had payment  
4 problems in the past.

5 Q. Are you aware of any information on the  
6 efficacy of such approaches?

7 A. I am not.

8 Q. Okay.

9 CHAIRMAN BOYER: Thank you.

10 Mr. Gardner, any redirect?

11 MR. GARDNER: No redirect.

12 CHAIRMAN BOYER: Okay. Well, thank you,  
13 Dr. Johnson. You may step down.

14 THE WITNESS: Thank you.

15 CHAIRMAN BOYER: And now I think that brings  
16 us to you, Mr. Ball.

17 I assume you're going to put on your witness  
18 hat now?

19 And I don't recall Mr. Ball, have you been  
20 sworn in this particular case?

21 MR. BALL: Yes.

22 CHAIRMAN BOYER: I'll remind you then that  
23 you're still under oath.

24 ROGER J. BALL,

25 having been previously duly sworn, was examined and



1 testified as follows:

2 DIRECT EXAMINATION

3 BY MR. BALL

4 Q. Good afternoon, Commissioners. My name is  
5 Roger J. Ball, and my address is 1375 Vintry Lane; Salt  
6 Lake City, Utah, 84121.

7 I filed a statement of my qualifications and  
8 experience, together with my test year testimony in  
9 this proceeding, on the 25th of January, 2008.

10 I was sworn in this proceeding during the  
11 preliminaries of the 8th of February 2008 test year  
12 hearing, and qualified as an expert witness.

13 I have also been qualified as an expert  
14 witness in other proceedings before this Commission,  
15 and the Public Utilities Commission of Nevada.

16 On the 22nd of September 2008, I filed cost  
17 of service rebuttal testimony consisting of 15 pages,  
18 including a service certificate, marked as RJB  
19 Exhibit 7.0.

20 If I were asked the same questions today  
21 that are in my written pre-filed testimony, my answers  
22 would remain the same.

23 I offer RJB Exhibit 7.0 and ask that it be  
24 admitted into evidence, please.

25 CHAIRMAN BOYER: Are there objections to the



1 admission of Mr. Ball's rebuttal testimony?

2 MS. SCHMID: None.

3 CHAIRMAN BOYER: Seeing none, it is admitted  
4 into evidence.

5 (Whereupon, Mr. Ball's rebuttal testimony  
6 was received.)

7 CHAIRMAN BOYER: Mr. Ball, you may proceed.

8 MR. BALL: Thank you.

9 I would like to summarize my rebuttal  
10 testimony, which deals with four issues.

11 The General Service South, or GSS rates  
12 extension area charges or EACs, future extension areas,  
13 and how they should be treated as far as the cost of  
14 the extensions goes, and the natural gas vehicle or NGV  
15 rate.

16 To begin with, the General Service South, or  
17 GSS rates.

18 Existing Questar Gas Company customers  
19 provide line extension subsidies to new customers  
20 regardless of where in Utah they may be located.

21 A new customer in one of the areas where GSS  
22 rates or EACs apply, is subsidized by line extension  
23 subsidies, just as is a new customer in an area where  
24 unembellished GS-1 rates apply.

25 When either of these new customers becomes





1 an existing customer, they will begin to subsidize  
2 newer customers throughout Questar's service territory.

3 But it's been different when Questar has  
4 wanted to extend its service territory into one of the  
5 thinly populated and somewhat remote communities that  
6 did not then have natural gas service available to it.

7 The costs involved in constructing the  
8 infrastructure to carry gas from the Company's existing  
9 network to the community, and much of the cost of the  
10 distribution network within the community, was not  
11 covered by the line extension allowances in Questar's  
12 tariff, that represented the subsidy from existing to  
13 new customers that I have described.

14 When Questar Gas Company wanted to extend  
15 its service territory into southwestern Utah, it  
16 calculated that it's tariff charges would not collect  
17 sufficient revenue to meet its return expectations.

18 Questar conducted a canvass of businesses  
19 and residents, asking people to commit, in writing, to  
20 taking service for a stated period at an estimated  
21 price.

22 Then it used it's estimated capital costs to  
23 calculate a supplemental rate that would go some way  
24 towards enabling it to earn its authorized rate of  
25 return.



1           It sought and obtained Commission approval  
2 for special general service south rates, originally  
3 intended to be double the GS-1 rates, and in effect for  
4 20 years, representing that such an adder would provide  
5 sufficient revenues to deliver its authorized rate of  
6 return.

7           Now, for a moment I'd like to move on to  
8 extension area charges.

9           Even GSS rates wouldn't raise enough money  
10 in several areas that Questar subsequently wanted to  
11 extend its service territory into.

12           In 1997, the Company filed its application  
13 for approval of its new tariff provisions, establishing  
14 service to rural communities and for approval of a  
15 specific rural community charge for Panguich, Utah;  
16 Docket 97-057-04.

17           It wanted more than twice the GS-1 rates,  
18 but it also wanted an additional subsidy from  
19 ratepayers at large, the annual impact of which it  
20 estimated to be 32.2 cents on the bill of a typical 115  
21 decatherm per annum residential customers, which  
22 Questar characterized as the cost of a first class  
23 postage stamp each year.

24           The Division of Public Utilities objected to  
25 raising rates for ratepayers at large in order to



1 subsidize extensions in its 11 March 1997 memorandum to  
2 the Commission. It said, generally speaking, in the  
3 past, new customers have been subsidized by old  
4 customers. Over time, new customers have become old  
5 customers, who help subsidize new customers. Our  
6 understanding is that basically the level of subsidy  
7 remained the same, and that extending service to the  
8 areas was made feasible by higher rates, spreading the  
9 up-front costs over time, et cetera.

10 This proposal is a major policy change, in  
11 that there is a significant additional subsidy by  
12 existing customers that is specifically identified.

13 The DPU is aware of the impact that not  
14 having natural gas can have on the economic development  
15 and growth of rural areas. We also like to see more  
16 citizens have the advantage of lower energy bills.  
17 However, we cannot support accomplishing this by  
18 raising the rates of existing customers.

19 The Commission denied the application, so  
20 Questar took its campaign for greater subsidies to the  
21 legislature.

22 House bill 180 passed in the 1998 general  
23 session, over the objections of the Committee of  
24 Consumer Services, with a built-in repeal date of the  
25 31st of December 1999. This enabled Questar to grow



1 into a few more communities, including Brianhead.

2 Let's turn now to the question of the  
3 increasing subsidies that have flowed from both the GSS  
4 and the EAC.

5 Questar's estimated capital costs were only  
6 those to serve the people who it signed up. It  
7 actually built facilities with growth and future  
8 extensions in mind; in other words, more facilities  
9 than it originally estimated the costs for, and was  
10 allowed to put those higher capital costs into rate  
11 base, so that ratepayers at large have been subsidizing  
12 the Company's business expansion into the GSS areas in  
13 excess of the line extension allowances that applied  
14 throughout its service territory.

15 Moreover, Questar failed, either to  
16 initially enforce the commitments to take service that  
17 it received during its canvass, or to make those who  
18 first took service continue to do so.

19 In some areas, service uptake has exceeded  
20 original expectations; in others, the Company has  
21 fallen short of its original projections.

22 Questar has been unable to produce an  
23 accounting record to show whether it has received its  
24 expected return on these investments, nor can it  
25 produce the commitment forms it originally gathered.





1           Questar Gas Company's stockholder, Questar  
2 Corporation, is receiving the benefit of its rate of  
3 return on an extended rate base, and GSS customers are  
4 receiving the economic development and growth benefits,  
5 the advantages of lower energy bills, and greater  
6 convenience and comfort than with the fuels they  
7 previously used.

8           Ratepayers at large are currently, and have  
9 been for years, making up every penny that Questar has  
10 failed to collect from the GSS customers, with no  
11 apparent benefit at all.

12           And the reason they've been doing that is  
13 that Questar was allowed to put all of its capital  
14 investment in these GSS and EAC areas into rate base,  
15 and has been collecting whatever rate of return it's  
16 been collecting on that addition to rate base ever  
17 since.

18           To the extent that customers, through their  
19 GSS and EAC charges and rates have not been paying for  
20 that rate of return, all the rest of us have been.

21           The latest to eliminate GSS and EAC rates  
22 came in Docket 06-057-24, In the Matter of the  
23 Application to Remove GSS and EAC Rates from QGC's  
24 Tariff, in which Questar, the Division, Committee, and  
25 Rural Economic Development interests agreed to



1 recommend their demise with the transfer of even more  
2 of Questar's revenue requirement to ratepayers at  
3 large.

4           In its 24 April 2007 order on that  
5 stipulation, the PSC wrote, When considering whether to  
6 expand its utility plant, Questar makes its independent  
7 business decision on whether to expend its own funds to  
8 expand its utility plant to serve new areas, relying  
9 upon its applicable tariff charges general line  
10 extension fees, and utility service rates to generate  
11 sufficient revenues to recoup the costs of the  
12 expansion.

13           If the anticipated revenues are insufficient  
14 to meet the Company's business return expectations,  
15 vis-à-vis the expected costs to extend into a new  
16 service area, the Company will decide not to enter the  
17 new area to provide utility service.

18           The reality is that Questar has been allowed  
19 to go into the new areas, and it has been allowed to  
20 saddle ratepayers at large with the differential  
21 between the return it wanted to earn and the amount of  
22 money it could get from customers in its extension  
23 areas.

24           Mr. Barrow proposed a six percent interest  
25 rate because, in sum, it would be convenient to



1 administer. It's a number that's used for other  
2 purposes.

3 Yes, a developer might be able to pass  
4 connection charges in excess of the line extension  
5 allowance on to a home buyer in the price of a house,  
6 the homeowner might be able to finance it through their  
7 mortgage, but that isn't what we're talking about. The  
8 DEC service that we need to think about, the DEC  
9 service that ratepayers at large have been covering  
10 throughout the currency of GSS and EAC rates, is, in  
11 fact, Questar's earned rate of return.

12 That is what GS -- well, okay, fine. That's  
13 what we're currently paying at present.

14 The PSC suggested an option that they, the  
15 PSC, might be interested in considering; refinancing  
16 the debt so they can pay lesser sums for longer. The  
17 Commission didn't suggest that GSS and EAC customers  
18 could pay lesser sums for the original period of time.

19 Mr. Barrow is concerned that GSS rates are  
20 no longer exactly double GS-1 rates. The Division has  
21 been intimately involved in every rate adjustment since  
22 GSS rates and EACs were established.

23 Its witnesses have, over and over, for  
24 years, until fairly recently, testified that the GSS  
25 rates and EACs would be or were just unreasonable.



1           It's sudden discovery that it has allowed  
2 them to drift from the original intention may be a good  
3 reason to reset them in accordance with that intention.  
4 It's no reason at all to saddle ratepayers at large  
5 with the revenue impact of disposing of them. That  
6 would be far less just or reasonable.

7           The proper disposition of these issues is  
8 for the main beneficiary, the Company that saw a  
9 business opportunity, and seized it without paying  
10 attention to the details, to bear the burden of  
11 whatever losses may have been associated with its  
12 investments in these communities.

13           All past subsidies, beyond the line  
14 extension allowances, should be computed and reimbursed  
15 to ratepayers at large through the balance in accounts.  
16 I do not accept that it is not possible to compute  
17 those subsidies and to make that reimbursement.

18           Failing that, let's go back to the original  
19 intent of the GSS rates and EACs, and have customers in  
20 those rural areas pay what they originally bargained  
21 for. And as I said before, they did make a bargain.  
22 They did sign up on an individual resident or business  
23 basis to indicate that there was sufficient demand to  
24 persuade the Commission to allow these rates to go into  
25 effect.





1           People paying GSS rates and DEC's are  
2 understandably eager to be allowed to stop. They are  
3 unhappy with Questar, with regulators, and with elected  
4 officials because that hasn't happened yet.

5           There's considerable political pressure on  
6 the Committee, the Division, and the Commission to make  
7 it happen.

8           Questar proposed a rate structure that gave  
9 people in those areas what they wanted years ago, but  
10 it came at a price they no longer wanted to pay. But  
11 it was a rate structure that has always been unjust and  
12 unreasonable in its impact on ratepayers at large, and  
13 Mr. Barrow's proposals on behalf of the Division would  
14 have an even more unjust and unreasonable impact on  
15 ratepayers at large.

16           It would satisfy the 8,000 rural customers  
17 and Questar's revenues would suffer no impact, but some  
18 850,000 ratepayers at large would be saddled with  
19 everything that the 8,000 were relieved of.

20           This is a classic example of one of my  
21 interests and one of the interests of other  
22 similarly-situated GS-1 ratepayers that I sought and  
23 was granted leave to intervene in this proceeding to  
24 protect.

25           Now, turning for a moment to the question of



1 future expansion or extension areas.

2 The DPU's proposal is clearly  
3 discriminatory.

4 For at least 40 years, customers in service  
5 territory expansion areas have paid the costs -- or  
6 have paid costs beyond the free-line extension  
7 allowance.

8 The DPU in fact calculates that if you work  
9 it out at six percent, those in the southwestern  
10 expansion or GSS area paid off, in 2003, an ELMO in  
11 Cleveland in 2005.

12 Now, even though those folks, by its six  
13 percent calculation, paid off either five or three  
14 years ago, the Division doesn't recommend any refunds.  
15 That seems to be treating people differently.

16 It wants people in other -- in future  
17 expansion areas to pay just six percent.

18 When I objected to that on the basis that  
19 the -- the Company would be making its rate of return  
20 on it, and the difference between the six percent and  
21 the rate of return would be picked up by other  
22 ratepayers, the Division said, in -- in its  
23 surrebuttal, Ahh, well, we aren't saying that. We're  
24 saying they'd have to find other financing for that.

25 Now, there's been some disputation today



1 about the 1.8 million or the \$0.67, or whatever.

2 And I don't mean to misrepresent anything,  
3 but I -- those numbers have a meaning. They're not  
4 very clear, they're not very easy to explain.

5 They, in fact, relate only to the  
6 residential customers, not to the commercial customers.

7 The equivalent of the 1.8 million, when you  
8 gross it up for residential and commercial customers,  
9 is about two and a half million. It's not just the  
10 differential between GS-1 and GSS, it's -- it's the  
11 whole thing. It's the GS-1 plus.

12 So you could say that summing about half of  
13 it, or maybe a little more than half of it, is the  
14 amount of money that would become the responsibility of  
15 all general service customers rather than the  
16 responsibility of the GSS customers.

17 The \$0.67 appears to be an annual  
18 approximation of the rate impact just of the  
19 residential part -- portion on residential customers  
20 going forward. And that grosses up to about 1.9  
21 million, but there's another 400,000 that pertains to  
22 commercial customers.

23 So it's -- it's very complex. I'm not  
24 pretending that it's clear, either to me or to you, but  
25 it's quite clear that there is an impact on ratepayers



1 at large, of disposing with the GSS and EAC rates by --  
2 you know, by whatever means, including the application  
3 of the six percent interest rate, which doesn't  
4 approximate the financial benefit to Questar Gas  
5 Company that has been collected all the time these  
6 things are in effect.

7 Now, I have some alternative  
8 recommendations. Like the Division, I'm entirely happy  
9 with the notion that folks who live in places where  
10 they don't have access to natural gas service should be  
11 able to get access to it. But bluntly, Commissioners,  
12 not at my expense. At least not more at my expense  
13 than the case of somebody who chooses to build a home  
14 in a part of Salt Lake county, or Utah County, or  
15 wherever, that it is -- you know, where they're going  
16 to get a line extension allowance, and have to pay the  
17 difference if they're further out from that, from the  
18 existing system.

19 So what I'm recommending is that if Questar  
20 wants to go into a new area, it should be managed and  
21 accounted for through the whole period of the project,  
22 as a separate project, so that we can see exactly what  
23 the real expenses are, so that we can see exactly what  
24 the contribution to Questar's rate of return is, so  
25 that we can see exactly what the revenues are, and so





1 that it can be managing in a sensible business-like  
2 fashion, and not just intermingled with the accounts  
3 that pertain to ratepayers at large.

4 Let me turn lastly, then, to the natural gas  
5 vehicle rate.

6 My testimony is that there's no point  
7 encouraging either the competitive commercial  
8 development of NGV filling pumps or station, or the  
9 individual investment in compressors or NGV vehicles by  
10 continuing the use of a subsidized NGV rate.

11 This is a competitive fuel. It competes  
12 with gasoline, it competes with diesel, it competes  
13 with electricity, it competes with, you know, anything  
14 else that you can -- that you can make a vehicle run  
15 on.

16 It's not a monopoly service, it's not a  
17 utility service. We shouldn't be encouraging abnormal  
18 development by continuing the use of a subsidized NGV  
19 rate. Far better to send a realistic price signal  
20 based on full cost now, and allow the NGV  
21 infrastructure to develop in a sensible open market  
22 fashion.

23 The numbers that were circulated by, I think  
24 Questar Gas Company a little bit earlier on, indicate  
25 that even at full cost, even taking out the Wexpro gas,



1 there's a considerable price advantage in natural gas  
2 to fuel vehicles than there is for gasoline or diesel.

3 So we're -- we are not talking about  
4 penalizing, or dissuading, or providing a disincentive  
5 for people natural gas in vehicles. Natural gas in  
6 vehicles is a recent innovation. It's environmentally  
7 beneficial over gasoline or diesel. But there is no  
8 case for those who use gas, for long-established  
9 purposes, such as space and water heating on the GS-1  
10 rate schedule subsidizing this relatively novel use.  
11 Every molecule of NGV gas should come at market, not  
12 Wexpro prices, and the rate should be set accordingly.

13 The Commission should not be encouraging  
14 Questar Gas Company to increase its involvement as a  
15 monopoly in this particular market, by approving any  
16 subsidy from payers of other rates to the NGV rate.

17 And thank you, I've completed my summary and  
18 I stand ready for cross-examination.

19 CHAIRMAN BOYER: Thank you, Mr. Ball.

20 Let's turn first to the Company.

21 MR. MONSON: Thank you.

22 CROSS EXAMINATION

23 BY MR. MONSON:

24 Q. Mr. Ball, you're not an attorney, are you?

25 A. No.



1 Q. So your statement about qualifying as an  
2 expert witness wasn't meant to refer to any legal  
3 qualification as an expert witness. Is that right?

4 A. See, I probably take a slightly different  
5 view than all of you that belong to the legal  
6 profession.

7 Q. Can you answer my question yes or no?

8 A. I'm trying to.

9 Q. I said can you answer it yes or no.

10 A. No. I can't answer it yes or no. So now  
11 I'll answer it the way I can, if that's okay.

12 Q. No, you don't need to.

13 A. But I'm going to, thank you. You've asked  
14 it, I'd like to answer it.

15 I was sworn to tell the truth, the whole  
16 truth, and nothing but the truth. So here we go.

17 CHAIRMAN BOYER: Mr. Ball, just answer the  
18 question as it's asked, please.

19 THE WITNESS: Would -- perhaps the reporter  
20 could read the question back to me.

21 (Whereupon, the pending testimony  
22 was read by the court reporter.)

23 THE WITNESS: No, it's not right.

24 Thank you.

25 Q. (BY MR. MONSON) So on whose behalf are you



1 appearing?

2 A. My own, and perhaps those of others  
3 similarly situated Questar ratepayers.

4 Q. Do you understand that to represent  
5 individuals other than yourself, you have to be a  
6 licensed attorney, Mr. Ball?

7 A. Yes.

8 Q. And you're not one, I think we established.

9 A. No.

10 Q. Thank you.

11 You said in your summary, a couple of  
12 places, that Questar wanted to extend service. Questar  
13 went to the legislature and so forth.

14 Isn't it true that the customers, in the  
15 areas to which service was being extended, have some  
16 interest in having service extended into those areas?

17 A. They weren't customers, of course, at the  
18 time.

19 Q. The potential customers?

20 A. (Witness nods.) Yes, of course. But of  
21 course they did.

22 Q. And were they also involved in the  
23 legislative effort in connection with Panguich?

24 A. They were. Which, again, lends emphasis to  
25 the fact that there were commitments from the





1 communities involved.

2 Q. And, Mr. Ball, were you the, I believe the  
3 correct title was Secretary of the Committee of  
4 Consumer Services during the period when many of these  
5 extensions took place?

6 A. I became Administrative Secretary to the  
7 Committee of Consumer Services in May of 1997.

8 Q. So have any of the extensions taken place  
9 since you became administrative secretary?

10 A. Yes. I clearly remember going to the 1998  
11 general session of the legislature to speak against  
12 House Bill 118.

13 Q. So if the Committee supported the extensions  
14 prior to the time you became administrative secretary,  
15 is it your view that the Committee was acting  
16 improperly? During that period?

17 A. When Governor Leavitt interviewed me for the  
18 purpose of deciding who he would appoint as  
19 Administrative Secretary of the Committee, he asked me  
20 a question about the extension of the natural gas into  
21 unserved areas.

22 And my recollection is that it came as a  
23 complete surprise to me. And my recollection is that I  
24 subsequently sent him a letter to clarify my totally  
25 inadequate answer during the interview, in which I



1 basically said to him that I didn't think that the  
2 burden, the financial burden of extending service into  
3 those areas should fall on the shoulders of other  
4 ratepayers.

5 Q. Did you have to convince members of the  
6 Committee to change their position then?

7 A. Not to my recollection, no. It was fairly  
8 straight-forward. The Committee's statutory mandate  
9 was and remains to represent the interests of the  
10 majority.

11 Yeah.

12 Q. But you're aware the Committee previously  
13 supported those extensions?

14 A. I don't think I am.

15 Q. Okay.

16 You've been a participant through all of the  
17 phases of this rate case. Is that right?

18 A. Not quite.

19 Q. Well, do you -- do you remember that one of  
20 the primary drivers for the rate increase sought by the  
21 Company was feeder line projects?

22 A. I do recall that.

23 Q. And are you also aware that the rate  
24 increase granted by the Commission in this case  
25 amounted to approximately \$27 per year per customer?



1 For an average residential customer?

2 A. I'll accept that, subject to check.

3 Q. And do the feeder line projects that were a  
4 driver for that rate increase benefit customers in the  
5 outlying areas of the State to which service has been  
6 extended?

7 A. Quite frankly, I have no idea at all. I --  
8 I haven't conducted any kind of investigation to see  
9 what the larger and extended-in-distance feeder lines  
10 will do to the overall flows on Questar Gas Company's  
11 service.

12 MR. MONSON: Thank you. That's all my  
13 questions.

14 CHAIRMAN BOYER: Thank you, Mr. Monson.

15 Ms. Schmid, have you questions for Mr. Ball?

16 MS. SCHMID: No questions.

17 CHAIRMAN BOYER: Mr. Proctor?

18 MR. PROCTOR: I have no questions.

19 CHAIRMAN BOYER: Okay.

20 Mr. Gardner, have you questions for  
21 Mr. Ball?

22 MR. GARDNER: No questions.

23 CHAIRMAN BOYER: Dr. Dodge?

24 MR. DODGE: No questions.

25 CHAIRMAN BOYER: Okay. Let's turn to



1 Commissioner Allen?

2 Mr. Campbell?

3 Nor do I.

4 I don't know how you -- well, I guess  
5 there's no necessity to do redirect examination for the  
6 few questions Mr. Monson asked you.

7 Do you wish to add anything, Mr. Ball?

8 MR. BALL: I have no re-direct. Thank you,  
9 Commissioner.

10 I'd like to thank Mr. Monson for actually  
11 cross-examining me today. It's been my first  
12 experience of it.

13 CHAIRMAN BOYER: Thank you, Mr. Ball. You  
14 may step down.

15 MR. BALL: Thank you, sir.

16 CHAIRMAN BOYER: Unless I'm missing  
17 something, I think that is all of that. That concludes  
18 the examination of witnesses in this case.

19 I notice Ms. Wolf is sitting at the table,  
20 but you've declined to participate.

21 MS. WOLF: I have nothing.

22 CHAIRMAN BOYER: And was it Mr. Cook? In  
23 the -- he came earlier and he's not here anymore.

24 Okay.

25 Very well. Well, I think that concludes





1 this portion of the -- the hearing. We'll be in recess  
2 until 4:30 tomorrow, which is the time scheduled for  
3 the public witness hearing in this matter.

4 Thank you all for your participation.

5 MR. DODGE: Mr. Chairman, I assume you'll  
6 excuse those of us who choose not to come for the  
7 public portion?

8 CHAIRMAN BOYER: Certainly.

9 MR. DODGE: And is there any intent to have  
10 briefs, or does the Commission not have it --

11 CHAIRMAN BOYER: No. We have with no  
12 intention of asking for post-hearing briefs in this  
13 case.

14 MR. DODGE: Thank you.

15 CHAIRMAN BOYER: Thank you all.

16 (Whereupon, the deposition  
17 was concluded at 4:14 p.m.)

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25



1 STATE OF UTAH )  
 ) ss  
2 COUNTY OF SALT LAKE )

3

4 THIS IS TO CERTIFY that the foregoing  
5 proceeding in the foregoing cause named, was taken  
6 before me, DEBRA A. DIBBLE, a Certified Shorthand  
7 Reporter and Notary Public in and for the State of  
8 Utah, residing at Woodland, Utah.

6

7 That the testimony of said proceeding was  
8 reported by me in Stenotype, and thereafter caused by  
9 me to be transcribed into typewriting, and that a full,  
10 true and correct transcription of said testimony so  
11 taken and transcribed is set forth in the foregoing  
12 annexed transcript.

10

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

13

14 IN WITNESS WHEREOF, I have hereunto set  
15 my hand this \_\_\_ day of  
\_\_\_\_\_, 2008.

16

17 Debra A. Dibble, C.S.R., R.P.R.

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