

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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 In the Matter: the) TRANSCRIPT OF
 Pass-Through Application of) PROCEEDINGS
 Questar Gas Company for an)
 Adjustment in Rates and) Docket No.:
 Charges for Natural Gas) 08-057-15
 Service in Utah)
)
 In the Matter: the) Docket No.:
 Application of Questar Gas) 08-057-16
 Company to Amortize the)
 Conservation Enabling)
 Tariff Balancing Account)
)
 In the Matter: the) Docket No.:
 Application of Questar Gas) 08-057-17
 Company to Amortize the)
 Demand Side Management)
 Deferred Account Balance)
)
)

June 30, 2008 * 9:35 a.m.

Location: Public Service Commission
160 East 300 South
Salt Lake City, Utah 84114

Before: Steve Goodwill,
Administrative Law Judge

1 A P P E A R A N C E S

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11

12 ALSO PRESENT:

13 Eric Orton - Committee of Consumer
 Services

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DPU NO.	DESCRIPTION	PAGE
1	Division Memorandum, dated 6/23/08 _____	14
2	Division CET Memorandum, dated 6/13/08 _	14
3	Division DSM Memorandum, dated 6/13/08 _	14

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

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3 JUDGE GOODWILL: This is the Public
4 Service Commission hearing in the matter of the
5 Pass-Through Application of Questar Gas Company for
6 an Adjustment in Rates and Charges for Natural Gas
7 Service in Utah, Public Service Commission docket
8 number 08-057-15.

9 Also in the matter of the Application of
10 Questar Gas Company to Amortize the Conservation
11 Enabling Tariff Balancing Account, Public Service
12 Commission docket number 08-057-16.

13 And finally, in the matter of the
14 Application of Questar Gas Company to Amortize the
15 Demand Side Management Deferred Account Balance,
16 Public Service Commission docket number 08-057-17.

17 I'm Steve Goodwill, the Administrative Law
18 Judge for the Public Service Commission. And I have
19 been assigned by the Commission to hear this matter.

20 Notice of this hearing on these three
21 dockets was issued by the Commission on the 24th of
22 June, 2008.

23 At this time we'll take appearances. And
24 we'll start with Questar.

25 MS. BELL: Colleen Larkin Bell, on behalf

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1 of Questar Gas Company.

2 MS. SCHMID: Patricia E. Schmid, with the
3 Attorney General's Office, representing the Division
4 of Public Utilities.

5 MR. ORTON: Eric Orton, for the Committee
6 of Consumer Services.

7 I'm here without counsel.

8 ALJ GOODWILL: Thank you.

9 With that's, it's the Company's filing, so
10 we'll go ahead and turn to you, Ms. Bell.

11 MS. BELL: Yes. I would like to call Gary
12 L. Robinson as a witness for us.

13 ALJ GOODWILL: All right. Mr. Robinson,
14 if you'll please stand and raise your right hand,
15 I'll go ahead and swear you in.

16 GARY L. ROBINSON,
17 called as a witness, being first duly sworn,
18 was examined and testified as follows:

19

20 ALJ GOODWILL: Thank you.

21

22 EXAMINATION

23 BY MS. BELL:

24 Q. Mr. Robinson, will you please state your
25 full name for the record.

26

1 A. Gary Robinson.

2 Q. And by whom are you employed?

3 A. Questar Gas Company.

4 Q. And what is your title at Questar Gas
5 Company?

6 A. Director of Regulatory Affairs.

7 Q. And in that capacity, are you familiar
8 with the applications that been filed in docket
9 08-057-15, 08-057-16 and 08-057-17?

10 A. Yes. I am.

11 Q. And were they prepared by you or under
12 your direction?

13 A. Yes.

14 Q. Would you please summarize for us the
15 first application, which is what we call the
16 pass-through application, and explain to us,
17 generally, what the increase amount was for and
18 explain the two phases that the Company proposed.

19 A. Sure. This is the -- the tariff --
20 Questar Gas tariff requires that the Company file at
21 least two pass-throughs each year. And this is the
22 first pass-through in 2008.

23 We are asking -- as we ran the numbers in
24 this for the pass-through, we found total gas costs
25 in Utah of \$909 million, which was an increase of

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1 \$379 million. We -- in looking at the pass-through
2 and when it would go into effect, since these rates
3 will go into effect in the summer when volumes are
4 down and the costs of service gas is making up a
5 larger portion of the gas supply mix, what the
6 Company is recommending, instead of the entire \$379
7 million increase, to only increase about half. And
8 that is an increase of \$195 million. The effect of
9 that \$195 million increase is -- to the typical
10 customer, it's an increase of \$149.39. Or \$22.85.

11 Since the Company will be filing another
12 pass-through later in the year, the remaining portion
13 of the increase, of the \$379 million increase, will
14 be made effective in the next pass-through that we
15 file in about October of this year.

16 Q. Did the Division of Public Utilities file
17 a memo in this docket regarding this pass-through
18 application?

19 A. Yes. They did.

20 Q. And what was their recommendation?

21 A. I believe their recommendation was to do
22 the \$195 million increase.

23 Q. Turning now to the application to amortize
24 the conservation enabling tariff, and I believe that
25 was docket 08-057-16, would you provide a brief
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1 summary of that request.

2 A. Well, in accordance with the order in
3 docket number 05-057-T01, the Company is to file,
4 along with the pass-through filings, a filing to
5 amortize the balance in the CET account. And
6 08-057-16, this docket, is the application to
7 amortize the CET balance.

8 In this case, the balance in the account
9 has dropped from the -- from the filing that we made
10 last November. So this actually represents a
11 decrease in rates. Let's see. It's a decrease of
12 about four cents a decatherm.

13 Q. Do you have any changes to any of the
14 exhibits in this particular application you would
15 like to make?

16 A. Yes. The Division was very kind to point
17 out that we had made an error in one of our exhibits.
18 So I would like to make a correction.

19 I think these have been handed out.

20 But in Exhibit 1.2 of this filing, the
21 rates on lines 5 and 6, for the GSS rate class were
22 in error. So I have filed an Exhibit 1.2U, which
23 corrects those GSS rates.

24 MS. BELL: Your Honor, we have premarked
25 that exhibit as Exhibit 1.2U. And I believe everyone

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1 has a copy of that. And we would like to have that
2 admitted.

3 ALJ GOODWILL: Any objection?

4 MS. SCHMID: None.

5 ALJ GOODWILL: Okay. We'll go ahead and
6 admit it as Questar Exhibit 1.2U.

7 (QUESTAR EXHIBIT-1.2U IS ADMITTED.

8 THE WITNESS: Okay. And so the effect of
9 the CET amortization would be a decrease to a typical
10 customer of \$3.04, or a .46 percent decrease.

11 Q. (By Ms. Bell) Would you now turn to the
12 application to amortize the demand side management
13 budget, and I believe that was docket 08-057-17, and
14 would you also provide a summary of this request.

15 A. Okay. Again, in accordance with the order
16 in docket number 05-057-T01, the Commission
17 authorized the Company to establish a deferred
18 expense account for those expenses related to demand
19 side management. And this -- in this case, the
20 balance in the -- in this deferred account is
21 \$8,700,000.

22 And so this request is to amortize that
23 \$8.7 million over the next 12 months.

24 This results in an increase of about seven
25 cents per decatherm.

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1 The effect on a typical customer of this
2 change is an increase to the typical customer of
3 \$5.62, or about .86 percent.

4 Q. Have you prepared tariff sheets showing
5 how -- if all three of these applications were
6 approved today, what the tariff would look like?

7 And in addition, have you prepared an
8 analysis showing what the impact of all three of
9 these would be on a typical customer?

10 A. Yes. So I believe these have also been
11 handed out.

12 And Hearing Exhibit 1 is the tariff sheets
13 for the GS-1 and the GSS rate schedules, which
14 include all -- the changes of all three filings. The
15 tariff sheets for all of the other rate schedules
16 will remain as filed in docket 08-057-15. So the
17 only ones that change are the GS-1 and GSS rate
18 schedules.

19 And those have been handed out.

20 And then we also calculated the effect on
21 a typical customer of all three rate changes
22 combined. And that would result in an increase to
23 the typical customer \$151.94, which is a 23.24
24 percent increase.

25 MS. BELL: Your Honor, we have premarked

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1 the tariff sheets as Hearing Exhibit 1, for docket
2 numbers 08-057-15, 08-057-16 and 08-057-17.

3 And we've premarked the effect on GS-1
4 typical customers as Hearing Exhibit 2, for those
5 same three dockets.

6 And I would like to have those admitted.

7 ALJ GOODWILL: Any objection to what's
8 been marked as Hearing Exhibit 1 or Hearing
9 Exhibit 2?

10 MS. SCHMID: None.

11 ALJ GOODWILL: Okay. We'll go ahead and
12 admit those.

13 (QUESTAR EXHIBITS-1-AND-2 ARE ADMITTED.)

14 Q. (By Ms. Bell) Does this conclude your
15 testimony with regard to these three applications,
16 Mr. Robinson?

17 A. Yes. It does.

18 MS. BELL: With that, Mr. Robinson is
19 available for questions.

20 ALJ GOODWILL: Ms. Schmid?

21 MS. SCHMID: The Division has no
22 questions.

23 ALJ GOODWILL: Okay. Thank you, Mr.
24 Robinson.

25 Anything further, Ms. Bell?

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1 MS. BELL: No. Nothing further.

2 ALJ GOODWILL: Okay. We'll turn to the
3 Division.

4 Ms. Schmid.

5 MS. SCHMID: Good morning.

6 The Division would like to call Marlin
7 Barrow as its witness.

8 Could Mr. Barrow please be sworn.

9 ALJ GOODWILL: Mr. Barrow, could you
10 please stand and raise your right hand. I'll go
11 ahead and swear you in.

12 MARLIN H. BARROW,
13 called as a witness, being first duly sworn,
14 was examined and testified as follows:

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16 ALJ GOODWILL: Thank you.

17 Please be seated.

18

19 EXAMINATION

20 BY MS. SCHMID:

21 Q. Good morning.

22 By whom are you employed and in what
23 capacity?

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

26

1 Q. In that capacity, have you worked on what
2 is known as docket number 08-057-15, a pass-through
3 account from Questar Gas?

4 A. Yes.

5 Q. Did you prepare and/or assist in preparing
6 a memorandum that the Division filed in that docket,
7 dated June 23rd, 2008?

8 A. Yes. I did.

9 Q. In your capacity as a Division employee,
10 did you participate in the analysis of docket
11 08-057-16, the conservation enabling tariff?

12 A. Yes. I did.

13 Q. And did you participate or assist in
14 participating in a memorandum, dated June 13, 2008,
15 that the Division filed addressing that matter?

16 A. Yes.

17 Q. Also in your capacity as a Division
18 employee, did you participate in docket 08-057-17,
19 the DSM docket?

20 A. Yes. I did.

21 Q. And in your capacity, did you participate
22 or assist in preparing a memorandum, dated June 13th,
23 2008 in that docket?

24 A. Yes.

25 MS. SCHMID: With that, the Division would

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1 like to request admission of the Division's
2 memorandum, dated June 23rd, 2008. And I request
3 that be marked Exhibit DPU Exhibit 1.

4 And I apologize for not premarking that.

5 The Division would also like to request
6 admission of what it would like to call DPU Exhibit
7 2, a document dated June 13th, 2008, the Division's
8 memorandum addressing the CET tariff.

9 And finally, the Division's memorandum,
10 dated June 13th, 2008, that I would request be marked
11 DPU Exhibit 3, addressing the DSM account balance
12 issue.

13 ALJ GOODWILL: Okay. We'll mark them as
14 such.

15 Is there any objection to the admission of
16 DPU Exhibits 1, 2 or 3?

17 MS. BELL: No objection.

18 ALJ GOODWILL: Okay. We'll go ahead and
19 admit them.

20 (DPU EXHIBITS-1-THROUGH-3 ARE ADMITTED.)

21 Q. (By Ms. Schmid) Mr. Barrow, do you have a
22 brief summary of these matters that you would like to
23 present today?

24 A. Yes. Very briefly.

25 The Division reviewed all three
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1 applications to make that sure they were complete and
2 to verify the numbers presented. We made that
3 initial review, and as stated in our memos, approved
4 the application as filed.

5 The Division, however, requested that the
6 rates be made interim in our memo. We are currently
7 in a process of auditing the entries in the account
8 for the CET balance, as well as the DSM amortization
9 request. And as soon as those numbers have been
10 completed, we will file a memo making the final
11 determination of what those rates should be.

12 With respect to the pass-through filing,
13 we did file that with an interim request. And as
14 always, the Division audits the 191 account.
15 However, we are currently in the process of reviewing
16 the year 2007. And therefore, as soon as that audit
17 is done, we will make a recommendation regarding the
18 previous applications effective to the 2007
19 pass-through filings.

20 The 2008 will -- audit will begin as soon
21 as we finish the 2007 audit.

22 But the Division did review everything and
23 does agree with the Company's filings that the rate
24 increase is on an annual basis. All three filings
25 together will increase a typical customer's -- who

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1 uses about 80 decatherms a year, will increase their
2 annual bill \$151.94 for those that stay in the first
3 block. That's about a 23.24 percent increase from
4 current rates.

5 Q. Mr. Barrow, is it the Division's position
6 that with the rates changed as described herein today
7 and in DPU Exhibits 1, 2 and 3, the resulting rates
8 will be just, reasonable and in the public interest?

9 A. In the public interest, that's a tough
10 one. But unfortunately, we do find the rates are
11 just and reasonable given the circumstances of
12 today's environment.

13 Q. And just a clarification, is there
14 anything in the Division's memorandum that states
15 that the resulting rates would not be in the public
16 interest?

17 A. No. There is nothing in there that states
18 it. That's just my personal opinion.

19 MS. SCHMID: Thank you very much.

20 Mr. Barrow is now available for
21 questioning.

22 ALJ GOODWILL: Ms. Bell, do you have any
23 questions?

24 MS. BELL: No questions.

25 ALJ GOODWILL: Mr. Barrow, just a couple
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1 real quick.

2 The Division's memorandum, that's now been
3 marked DPU Exhibit 2, regarding the CET application,
4 I know the Commission -- or I note the Division notes
5 at the bottom in a footnote that there is just a
6 slight difference in the average decrease -- the
7 decrease that the average customer would see. And
8 the Division calculates it between \$3.07, or a .47
9 percent decrease, while the Company calculates it as
10 \$3.04 decrease, or .46 percent.

11 Just for the benefit of the record, could
12 you explain that and whether or not that slight
13 difference has any bearing on the proposed tariff
14 sheets and so forth that the Company filed today.

15 THE WITNESS: Well, per my calculation, I
16 had it \$3.07, which I think was in the actual
17 application that they filed. I haven't had a chance
18 to review the correction that possibly Mr. Robinson
19 prepared this morning to see what that effect was. I
20 noticed he mentioned \$3.04. But I still had it
21 \$3.07. And I think that was what was in the actual
22 application.

23 And I think when you add the decrease of
24 \$3.07 to the \$5.62 that you get with the DSM
25 increase, plus the \$149.39 that you get with 191

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1 pass-through filing, you do come up with a total
2 increase of \$151.94, which I believe Mr. Robinson
3 mentioned in his testimony, as being the total
4 increase.

5 ALJ GOODWILL: And does the Division
6 concur then with the GS-1 rates and the GSS rates as
7 provided in the Questar Gas Exhibit 1, that was
8 admitted here this morning?

9 THE WITNESS: With respect to the GS-1
10 rates, I do concur with those rates.

11 I haven't had a chance to review the GSS
12 yet since I just saw that.

13 If you'd just give me a minute, I'll take
14 a quick look.

15 ALJ GOODWILL: Okay.

16 THE WITNESS: Yes. I agree with the total
17 rates that he has filed with GSS rates in his revised
18 tariff sheets.

19 ALJ GOODWILL: Okay. Thanks.

20 And then just one final clarification.

21 Back to your testimony with regard to the
22 public interest, it's my understanding that the
23 Division is only recommending that these rates be
24 approved on an interim basis at this time.

25 Would it be fair to characterize your
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1 position as you might have some personal heartburn
2 with the effect these rates might have on Utah rate
3 payers in general, the dollar amount increases that
4 they will see, but the Division -- the Division does
5 not or the Division believes that these rates are
6 within the public interest, as that term is normally
7 used within Commission proceedings?

8 THE WITNESS: Yes. That's true. In the
9 Division's memo, we did recommend that this first
10 pass-through -- or the first phase of this
11 pass-through be implemented right now, which is only
12 half of the total request. It's the Division's
13 understand that in September, the Company will update
14 their filing with new information regarding future
15 prices at that time and go ahead with the second
16 phase. Whether that second phase will be the actual
17 amount increase in this filing, we don't know that.
18 They have the opportunity to make an adjustment to
19 that second amount, whatever the current markets
20 indicate at that time.

21 But for the first phase, we do believe
22 that the first phase is in the public interest with
23 this modified increase. And that it is just and
24 reasonable.

25 ALJ GOODWILL: Okay. Thanks.

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1 Anything further, Ms. Schmid?

2 MS. SCHMID: Nothing from the Division.

3 ALJ GOODWILL: Okay. Ms. Bell, I take it
4 the Company has no objection to the Division's
5 recommendation that these rates be adopted on an
6 interim basis?

7 MS. BELL: No objection.

8 ALJ GOODWILL: Okay. Anything further
9 from either party?

10 MS. SCHMID: Nothing.

11 MS. BELL: No.

12 ALJ GOODWILL: Okay. I know that the
13 Division has recommended and the Company has
14 requested that these rates, if approved, go into
15 effect on July 1st, which is tomorrow. So just to
16 try and give you a sense, I plan within -- before
17 noon, to get a proposed order to the Commission,
18 recommending approval on an interim basis. And I
19 would anticipate the Commission getting that out
20 today.

21 Okay. Thank you very much.

22 MS. BELL: Thank you.

23 MS. SCHMID: Thank you.

24 (Hearing concluded at 9:56 a.m.)

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REPORTER'S HEARING CERTIFICATE

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

I, Kelly Fine-Jensen, Registered Professional Reporter and Notary Public in and for the State of Utah, do hereby certify:

That prior to being examined, the witnesses were duly sworn to tell the truth, the whole truth, and nothing but the truth;

That said proceeding was taken down by me in stenotype on June 30, 2008, at the place therein named, and was thereafter transcribed, and that a true and correct transcription of said testimony is set forth in the preceding pages;

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

WITNESS MY HAND AND OFFICIAL SEAL this 11th day of July, 2008.

Kelly Fine-Jensen, RPR
Notary Public