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BEFORE THE UTAH PUBLIC SERVICE COMMISSION

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

Docket No.09-057-16

**DIRECT TESTIMONY OF CHARLES
E. JOHNSON IN SUPPORT OF
SETTLEMENT STIPULATION ON
BEHALF OF AARP AND SALT LAKE
COMMUNITY ACTION PROGRAM
(SLCAP)**

AARP/SLCAP Exhibit No. _____

INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Charles E. Johnson. My business address is 7B Pleasant Blvd. #1086,
3 Toronto, Ontario M4T 1K2.

4
5 **Q. By whom are you employed?**

6 A. I am an independent consultant.
7

8 **Q. For whom are you submitting testimony?**

9 A. I am testifying on behalf of AARP and Salt Lake Community Action Program (SLCAP).
10 AARP is a nonprofit, nonpartisan membership organization for people aged fifty and
11 above. AARP assists people aged 50 and over to have independence, choice and control
12 in ways that are beneficial and affordable to them and to society as a whole. AARP
13 maintains staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the
14 U.S. Virgin Islands. Nationally AARP has millions of members, including
15 approximately 220,000 members residing in Utah, many of whom would be impacted by
16 the Commission's decision in this case.

17
18 SLCAP is a non-profit community-based organization that provides a wide range of
19 direct services and advocacy aimed at helping low-income people become self-sufficient.
20 Toward that end, SLCAP operates a Head Start early education program, neighborhood
21 centers with food pantries, a home weatherization program, housing assistance,
22 employment assistance, and many other activities, including participating in rate cases
23 before the Utah Public Service Commission. In 2009, SLCAP provided direct services to
24 over 31,000 households in Salt Lake and Tooele counties. These and many more low-
25 income Utah residents would be impacted by the Commission's decision in this case.

26
27 **Q. What are your qualifications for testifying in this proceeding?**

28 A. I have received extensive training in various aspects of utility accounting, utility planning
29 and utility practices over the years and have a Master's Degree and Ph.D. in
30 Mathematics. I have met the requirements to be a Certified Depreciation Professional by

31 the Society of Depreciation Professionals. I have taught short courses on utility matters
32 to the Staff of several State Utility Commissions, to the staff of a group of National
33 Commissions of Caribbean Island Nations, and to various U.S. Department of Energy
34 and National Laboratory Staff. I have been involved in utility proceedings as a
35 consultant for more than 30 years and have testified as an expert in proceedings before
36 utility commissions and courts throughout the country. I have testified in several cases
37 before the Utah Public Service Commission, including cases involving Rocky Mountain
38 Power Company (as Utah Power and Light Company and as PacifiCorp), Questar and
39 Qwest.

40 41 **PURPOSE AND RECOMMENDATIONS**

42 **Q. What is the purpose of your testimony?**

43 A. The purpose of my testimony is to provide support for the Settlement Stipulation into
44 which the Parties have entered. In particular, because the Settlement Stipulation was
45 entered into prior to the filing of testimony by intervenors, there is no testimony on
46 record in this docket about issues surrounding the proposed Low-Income Rate Assistance
47 Program. My testimony will fill that vacuum. Toward that end, I will provide the
48 Commission with information about the following:

- 49 1. The need for a Low-Income Rate Assistance Program for Questar Gas Company,
- 50 2. The conclusions of the Low-Income Task Force that was ordered by the
51 Commission in Docket No. 07-057-13,
- 52 3. The procedures by which a program will be designed by the Parties in order to
53 become effective on August 1, 2010 along with other tariff provisions of this
54 Settlement Stipulation, and
- 55 4. The section of the Utah Code (54-7-13.6) that provides for the implementation of a
56 low-income assistance program.

57
58 **Q. What recommendation do you make?**

59 A. I recommend that the Utah Public Service Commission approve the Settlement
60 Stipulation that has been agreed to by the Parties. There are certain provisions of the
61 Settlement Stipulation taken individually that AARP and SLCAP would not support.

62 However, the Settlement Stipulation taken as a whole produces results that are just and
63 reasonable and in the public interest. For that reason, the Settlement Stipulation should
64 be approved in its entirety by the Commission.

65
66 **NEED FOR LOW-INCOME BILL PAYING ASSISTANCE**

67 **Q. Is there evidence that a program to assist low-income gas customers is needed?**

68 A. Yes. There is ample evidence that such a program is necessary. I will present data
69 showing that there are substantial numbers of low-income families in Utah, that large
70 numbers of Questar customers are low-income, that the number of low-income families
71 in Utah is increasing in number, and that these low-income persons are unemployed in
72 greater numbers than customers with more moderate income.

73
74 Poverty in Utah is little different from that in other parts of the U.S. The U.S. Census
75 Bureau reported in its three-year 2006-2008 American Community Survey that 10% of
76 Utahns (over a quarter million people) had incomes below the federal poverty level and
77 that over 100,000 Utahns had income less than 50% of the poverty level [U.S. Census
78 Bureau Table S1701 for Utah]. The 2008 federal poverty threshold was around \$11,000
79 for an individual and around \$22,000 for a family of four. This same survey shows
80 nearly half a million residents of Utah had income below 150% of the poverty level, the
81 level below which a family is currently eligible for the HEAT (Home Energy Assistance
82 Target) program.

83
84 For Utah residents over 65 years old, circumstances are worse in some ways. Fifteen and
85 one-half percent of Utah residents over 65 years of age (nearly 36,000) have incomes
86 below 150% of the poverty level. Just 37% of them have earnings, compared to 86%
87 overall who have earnings. Half of those aged 65 and older who live in rental housing
88 pay more than 30% of their income on rent. Low-income individuals, especially these
89 seniors, spend a disproportionately large share of their income on utilities.

90
91 During the winter heating season of 2008-2009, HEAT, the federally funded Low-
92 Income Home Energy Assistance Program (LIHEAP) in Utah assisted over 42,000

93 households with their energy needs. These are households that had income below 150%
94 of the poverty level (the eligibility criterion at that time) and the majority of them are
95 Questar customers. The American Community Survey cited above estimated for 2006-
96 2008 that 6.9% (43,000) of the 625,000 Utah families lived below the poverty level.
97 (Estimates for families with incomes below 150% of the poverty level are not readily
98 available.) Based on the ACS data, the LIHEAP Home Energy Notebook from June
99 2009 calculated that 99,886 Utah families had incomes below 125% of the poverty level
100 and 31,201 of these families had at least one person over 60 years of age. [Table B-2,
101 LIHEAP Home Energy Notebook, U.S. Department of Health and Human Services, June
102 2009] Further, one-third of female-headed households with children lived below the
103 poverty line during this period. All told, more than 132,000 children under the age of 18
104 (16.2%) lived under 125% of the poverty level. It should be borne in mind that this
105 amount of poverty existed before the economic collapse of the past year.
106

107 **Q. Has the poverty situation worsened during the past year?**

108 A. Yes, as everyone is aware, the economic situation has deteriorated during the past year
109 and a half; unemployment has increased, underemployment has increased and many
110 families have lost their homes.
111

112 The number of households that were helped in 2009 by the HEAT program was 33%
113 greater than in 2008 and the number is expected to increase substantially again for this
114 year. According to the Utah Department of Workforce Services, nearly 80,000 jobs in
115 Utah have been lost in the last 12 months and even with the addition of young people
116 entering the labor market, the labor force has shrunk by 44,000 workers. (These are
117 workers who have stopped looking for jobs, left the state, or are otherwise not in the labor
118 force.) The unemployment rate reported by the Utah Department of Workforce Services
119 has increased from an average of 2.7% in 2007 to 3.4% in 2008 and as of February 2010
120 had more than doubled to 7.1%; all this with a smaller labor force.

121 **Q. Have people who were considered low income fared worse than middle-income**
122 **people during this recession?**

123 A. Yes, low-income people are more likely to have become unemployed than higher-income
124 people during the current recession.

125
126 The Center for Labor Market Studies of Northeastern University has prepared a study
127 titled *Labor Underutilization Problems of U.S. Workers Across Household Income*
128 *Groups at the End of the Great Recession (February 2010)*, which has presented some
129 truly frightening facts for low-income individuals. Based on their 2008 income level, the
130 greatest impact on job loss as of the end of 2009 has been felt by those with the lowest
131 incomes. Data in the following table was taken from that report.

132
133 **Unemployment Rates of Workers in the U.S. in the 4th Quarter of 2009**
134 **By Decile of Household Income in 2008**

Income Decile	Unemployment Rate	Income Level
Highest	3.2	Over \$138,700
Ninth	8.0	\$100,150 - \$138,700
Eighth	5.0	\$79,100 - \$100,150
Seventh	6.4	\$63,000 - \$79,100
Sixth	7.8	\$50,000 - \$63,000
Fifth	9.0	\$39,000 - \$50,000
Fourth	12.2	\$29,680 - \$39,000
Third	19.7	\$20,725 - \$29,680
Second	19.1	\$12,160 - \$20,725
Lowest	30.8	Up to \$12,160

135
136 From this table, one can see that in general, the lower a household income, the greater the
137 likelihood that the household has suffered job loss. Moreover, those households in the

138 lowest three deciles are almost exactly those below 150% of the poverty level who are
139 helped by the HEAT program and would be helped by the proposed rate assistance
140 program. These are the families that have unemployment rates between 20 and 30
141 percent and these are the families that are in greatest need.

142

143

LOW-INCOME TASK FORCE

144 **Q. Please describe the activities of the Low-Income Task Force that was established by**
145 **the Commission in Docket No. 07-57-13.**

146 A. In its Final Order in Docket No. 07-057-13, the Utah Public Service Commission directed
147 Questar to convene a task force co-chaired by a representative of AARP with the goal of
148 identifying and evaluating ways to help low-income customers stay on Questar's system.

149

150 The Low-Income Task Force met monthly during 2009, culminating in its Report
151 provided to the Commission on December 1, 2009. During this period, the Task Force
152 received information from a variety of resources, both within the Utah community and
153 from without, and examined substantial amounts of data on low-income customers
154 provided by Questar and from other sources. AARP and SLCAP proposed several
155 different programs that had potential to assist low-income customers. The Task Force
156 concluded that a program to assist low-income customers pay their winter heating bills
157 would be the most likely to be beneficial in keeping low-income customers on the
158 Questar system. The conclusion of the Low-Income Task Force Report reads:

159 The Task Force recommends that that a low-income assistance program
160 structured generally as proposed by AARP/SLCAP be considered and that all
161 interested parties and agencies have the opportunity to participate in the
162 discussion and development of such a program. Any such program should be
163 contingent on customer eligibility for HEAT assistance as determined by the
164 Utah Department of Community and Culture. Greater assistance should be
165 provided to those with the lowest income levels and assistance should be
166 provided in the winter season. [§ 10. Conclusion, from the December 1, 2009
167 Report Issued by the Low-Income Task Force filed in Docket No. 07-057-13]

168

169 The State Energy Assistance and Lifeline Office (SEAL) is the part of the Utah
170 Department of Community and Culture that certifies HEAT eligibility. SEAL was a
171 participant in the Task Force and has been apprised of the details of the program that we

172 had intended to propose in this docket. I have had more recent discussion with Sherm
173 Roquero of the Utah DCC, and have been advised that the SEAL office is planning to
174 work with the parties to the Settlement Stipulation to implement a Low-Income Rate
175 Assistance Program for customers of Questar Gas Company if approved by the
176 Commission.

177

178 **IMPLEMENTATION OF THE LOW-INCOME RATE ASSISTANCE PROGRAM**

179 **Q. Please describe how the Parties intend to implement the Low-Income Rate**
180 **Assistance Program for Questar.**

181 A. If the Commission accepts the Settlement Stipulation, the parties to the Settlement
182 Stipulation have agreed that those interested will work to prepare details of a program
183 consistent with the terms of the Settlement Stipulation. The detailed program will be
184 provided to the Commission in sufficient time for the Commission to review the program,
185 hopefully approve it, and order its implementation at the same time as other rate changes
186 for Questar.

187 **Q. Please describe the terms of the Settlement Stipulation with respect to the Low-**
188 **Income Rate Assistance Program.**

189 A. The Parties have agreed that Questar will establish a Low-Income Assistance Program
190 that will satisfy Utah Code Ann. § 54-7-13.6 (2009); that the total cost of this Program
191 will be targeted to be \$1.5 million per year; that eligibility will be certified by the Utah
192 Department of Community and Culture consistent with eligibility for the HEAT program;
193 and that the surcharge to fund the program shall be recovered by means of a per Dth
194 charge, subject to the monthly per-customer cap of \$50.

195

196 Details for implementing the Assistance Program were discussed extensively with
197 Questar, the Utah Division of Community and Culture’s SEAL Office, and others during
198 the development of the Report of the Low-Income Task Force, but remain to be
199 completed. Discussions were held with Questar billing and IT personnel to ensure that
200 any program proposed for implementation be practicable administratively. In its Report,
201 the Task Force stated:

202 The Task Force also agrees that Questar Gas should not suffer an undue
203 administrative burden in administering a program and the Company should
204 not be responsible for determining which customers qualify for the program,
205 or at what level aid should be offered. The Task Force recommends that this
206 responsibility reside with the Department of Community and Culture and the
207 HEAT program agencies. Any proposed program should be administered in
208 concert with the HEAT program, much like Rocky Mountain Power's
209 program is managed in connection with the HELP program. [Paragraph 2 of
210 § 5. Consensus of the Task Force, from the December 1, 2009 Report Issued
211 by the Low-Income Task Force filed in Docket No. 07-057-13]
212

213 **Q. What are the similarities and differences between the Rocky Mountain Power**
214 **HELP program and what is proposed for Questar?**

215 A. First, the Commission should note that there is a similarity in the development of the
216 programs, although the HELP program was developed before passage of Utah Code Ann.
217 § 54-7-13.6 (2009), which specifically authorizes an assistance program for low-income
218 customers. A general program was developed in a task force and the details of
219 implementation of the HELP program were decided after the Commission Order. Other
220 similarities are the DCC's role in certifying low-income customer eligibility and the
221 eligibility criterion itself.
222

223 Some details of the program for Questar Gas create difficulties that were not present for
224 the HELP program of Rocky Mountain Power. Among these are the fact that most of
225 Questar's customers are in the GS-1 rate class compared to a larger number of rate
226 classes in Rocky Mountain Power's tariffs, which has implications for how the funding
227 for the program is collected; the desire for seasonality in benefits for gas customers and
228 how it is related to the timing of certification of customers for HEAT eligibility; and
229 several other minor differences in implementing the two programs. Based on my
230 participation in the negotiations that led to the Settlement Stipulation, I see no reason that
231 the remaining issues cannot be dealt with in time for the Commission to order the
232 program into effect along with other tariff changes.
233

234 **UTAH LEGISLATION ON LOW-INCOME ASSISTANCE**

235 **Q. Please describe the new Utah legislation that authorizes the Commission to approve**
236 **a low-income assistance program under certain conditions.**

237 A. The section of the Utah Code that permits implementation of a low-income assistance
238 program is *54-7-13.6. Low-income assistance program*. The Parties to the Settlement
239 Stipulation and the participants in the Task Force have substantial familiarity with this
240 section of the Utah Code and have worked to ensure that the program that is
241 recommended to the Commission meets the language and the intent of the Code.

242
243 The Code does the following things: 1. It addresses eligibility of customers. 2. It
244 identifies to which utilities the law applies. 3. It places constraints on the details of such
245 a program. The constraints that are of particular interest in formulating the assistance
246 program proposal are:

- 247 • Paragraph 1, establishing eligibility criteria,
- 248 • Paragraph 5(a)(ii), limiting funding to 0.5% of the retail revenues,
- 249 • Paragraph 5(b)(ii), prohibiting collecting funding from recipients,
- 250 • Paragraph 5(c), requiring funding to be an equal percentage from all rate
251 classes, limited to \$50.00 from any customer.

252
253 **Q. What eligibility criteria does the Utah Code establish?**

254 A. The Utah Code limits eligibility to a customer that earns no more than “125% of the
255 federal poverty level” or “another percentage of the federal poverty level as determined
256 by the commission by order” and “whose eligibility is certified by the Utah Department
257 of Community and Culture.” This certification has been provided by the DCC for
258 customers to receive HEAT assistance in the past and is used to certify customers for the
259 HELP program of Rocky Mountain Power. The use of the HEAT certification eliminates
260 the necessity of a duplicate certification process and minimizes administrative costs. The
261 same certification process is a part of the proposal included in the Settlement Stipulation.
262 However, for 2008-2009 the HEAT eligibility guidelines were increased to cover utility
263 customers with incomes below 150% of the federal poverty level. The eligibility for the
264 RMP HELP program was not changed at that time, but awaited a Commission Order in

265 Docket No. 09-035-T15 before those customers above 125% of the poverty level
266 received HELP benefits. As a result of that Order, the eligibility level of the RMP HELP
267 program is now 150% of the poverty level or below.

268
269 In order to best use this same certification process, the Settlement Stipulation
270 incorporated the following terms for eligibility for the assistance program.

271 A customer will be eligible to participate in the Low-Income Assistance
272 Program if the customer is certified by the Utah Department of Community
273 and Culture as eligible for the Utah Home Energy Assistance Target (HEAT)
274 Program. At present, a household earning 150% or less of the federal poverty
275 level is eligible for HEAT.
276

277 **Q. What about limiting the funding is contained in the Utah Code?**

278 A. The limit of 0.5% of annual retail revenue is an absolute limit on the amount of funding
279 that can be established for a low-income assistance program. The Questar revenues for
280 the historical year ending June 2009 are \$917,935,266 and 0.5% of this is \$4,589,676.
281 The Questar-forecast test year revenue is \$751,461,204, of which 0.5% is \$3,727,306.
282 The proposal to which the Parties have stipulated is to be funded at a substantially lower
283 level than these amounts.

284
285 **Q. What is the proposed level of support for the low-income program in the Settlement
286 Stipulation?**

287 A. This Settlement Stipulation sets \$1.5 million as an acceptable level of support for
288 initiation of the program. That amount is 0.24% of the Test Year total revenue.

289
290 **Q. What other program restrictions are present in this legislation?**

291 A. A surcharge to fund an assistance program must be funded in such a way that all rate
292 classes pay the same percentage and no customer pays more than \$50.00 per month. This
293 limitation on the larger customers restricts the class revenue from those classes with
294 customers using large amounts of gas. For example, the FT-1 class has average monthly
295 bills of over \$20,000. If the surcharge were 0.5%, the monthly surcharge would be over
296 \$100 for an average customer. Limiting the monthly surcharge to \$50 constrains how

297 much these customers pay. It also limits the revenue from such a class to be less than the
298 percentages for the other classes.

299
300 In addition, this constraint on the funding means that whenever rate schedules are added,
301 deleted, or otherwise changed, it is necessary to review the surcharges to ensure that they
302 continue to meet this requirement. The Settlement Stipulation includes a request to the
303 Commission to establish a new docket in which cost of service and rate design issues can
304 be addressed. I believe that one result of this docket will be proposals to separate the
305 GS-1 class into more rate schedules. An Order in that docket implementing new rate
306 schedules would necessitate inclusion of new per Dth surcharges for each rate class.

307

308 **SUMMARY**

309 **Q. Please summarize why you believe the Commission should adopt the Settlement**
310 **Stipulation?**

311 A. I have examined the Settlement Stipulation as a whole and believe it will produce results
312 that are just and reasonable and in the public interest. The Low-Income Rate Assistance
313 Program that is part of the agreement will assist tens of thousands of low-income families
314 pay their winter heating bills. This will result in benefits to those customers, to Questar,
315 to other gas consumers, and to the State of Utah.

316

317 **Q. Does this conclude your prepared testimony?**

318 A. Yes.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the **DIRECT TESTIMONY OF CHARLES E. JOHNSON IN SUPPORT OF SETTLEMENT STIPULATION ON BEHALF OF AARP AND SALT LAKE COMMUNITY ACTION PROGRAM (SLCAP)**

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