

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of: The Pass-Through ) Docket No.  
Application of Questar Gas Company for ) 11-057-08  
an Adjustment in Rates and Charges for )  
Natural Gas Service in Utah )  
\_\_\_\_\_)  
In the Matter of: The Application of ) Docket No.  
Questar Gas Company to Amortize the ) 11-057-09  
Conservation Enabling Tariff Balancing )  
Account )  
\_\_\_\_\_)  
In the Matter of: The Application of ) Docket No.  
Questar Gas Company for a Tariff ) 11-057-10  
Change and Adjustment to the Low )  
Income Assistance/Energy Assistance )  
Rate )  
\_\_\_\_\_)  
In the Matter of: The Application of ) Docket No.  
Questar Gas Company to Include the ) 11-057-11  
Infrastructure Rate Adjustment )  
\_\_\_\_\_)

TRANSCRIPT OF HEARING PROCEEDINGS

September 27, 2011  
10:03 a.m.

PUBLIC SERVICE COMMISSION  
160 East 300 South, Room 451  
Salt Lake City, Utah 84111

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A P P E A R A N C E S

ADMINISTRATIVE LAW JUDGE: David Clark

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I N D E X

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1 September 27, 2011

10:03 a.m.

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

3 **THE COURT:** So this is the time and place  
4 duly noticed for a hearing in four Commission dockets.  
5 The first is the matter of the Pass-Through Application  
6 of Questar Gas Company for an Adjustment in Rates and  
7 Charges for Natural Gas Service in Utah, which is docket  
8 No. 11-057-08.

9 The next relates to the Application of  
10 Questar Gas Company to Amortize the Conservation Enabling  
11 Tariff Balancing Account, Docket No. 11-057-09.

12 The next is the Application of Questar Gas  
13 Company for a Tariff Change and Adjustment to the Low  
14 Income Assistance, slash, Energy Assistance Rate, Docket  
15 No. 11-057-10.

16 And the final matter is the Application of  
17 Questar Gas Company to Include the Infrastructure Rate  
18 Adjustment, Docket No. 11-057-11.

19 And, for the record, my name is David Clark.  
20 I am legal counsel for the Public Service Commission of  
21 Utah and the Commissioners have designated me as the  
22 presiding officer for the hearing today. Let's begin  
23 with appearances of counsel. First the applicant.

24 **MS. NELSON:** Jenniffer Nelson here on behalf  
25 of Questar Gas Company. And with me I have Mr. John

1 Kennedy, who will serve as a witness in the pass-through,  
2 Docket 11-057-08, and Kelly Mendenhall, who will serve as  
3 the company's witness in the remaining dockets.

4 **THE COURT:** Thank you, Ms. Nelson. The  
5 Division?

6 **MS. BURTON-LEE:** Dahnelle Burton-Lee,  
7 Assistant Attorney General. And with me is Marlin  
8 Barrow, from the Division of Public Utilities, who will  
9 be providing testimony on behalf of the Division in all  
10 four dockets.

11 **THE COURT:** Thank you: So let's take the 08  
12 Docket first and handle that one as an individual item  
13 and then we'll take on the next three, since they're all  
14 being addressed by a common witness, actually for both  
15 parties. Ms. Nelson? Thank you.

16 **MS. NELSON:** He's done this once or twice  
17 before.

18 **THE COURT:** That's good. Why don't you call  
19 your witness and then we'll swear him?

20 **MS. NELSON:** The Company calls Mr. Kennedy.

21 **JOHN KENNEDY,**

22 called as a witness by and on behalf of  
23 Questar, having been first duly sworn,  
24 was examined and testified as follows:  
25

1 DIRECT EXAMINATION

2 BY MS. NELSON:

3 Q. Mr. Kennedy, can you state your full name for  
4 the record?

5 A. John Ernest Kennedy.

6 Q. And what is your business address,  
7 Mr. Kennedy?

8 A. I work for Questar Gas Company at 180 East  
9 100 South, Salt Lake City, Utah.

10 Q. And what position do you hold with the  
11 Company?

12 A. I'm a regulatory affairs specialist.

13 Q. Mr. Kennedy, did you participate in the  
14 preparation of the application that is the subject of  
15 this docket?

16 A. Yes, I did.

17 Q. Can you summarize that application and the  
18 relief Questar Gas Company seeks through that  
19 application?

20 A. Yes. Questar Gas Company, the applicant in  
21 pass-through Docket No. 11-057-08, respectfully asks for  
22 Commission approval for a decrease of \$26.2 million in  
23 its Utah natural gas rates.

24 This application is based on the August 2011  
25 average of projected gas prices from two forecasting

1 organizations; namely, PIRA Energy Group and Cambridge  
2 Energy Research Associates. This application asks for an  
3 overall decrease of \$26.2 million, which includes a  
4 decrease of \$6 million in the commodity rates and a  
5 decrease of \$20.2 million in the supplier non-gas rates,  
6 resulting in a typical residential customer using 80  
7 decatherms per year seeing a decrease in their total bill  
8 of \$18.51 or approximately 2.67 percent.

9           Therefore, the Company requests to allow for  
10 the proposed reductions to the current commodity in SNG  
11 rates and the tariff sheets, as filed, to become  
12 effective October 1st, 2011, and January 1st, 2012.  
13 Thank you.

14           Q.    Mr. Kennedy, were you aware that the Division  
15 of Public Utilities filed an action request response on  
16 September 19, 2011, addressing this and other dockets?

17           A.    Yes, I was.

18           Q.    Did you review that memorandum?

19           A.    Yes.

20           Q.    And as it relates to the matters raised in  
21 this docket, do you agree with its contents?

22           A.    Wholeheartedly.

23           **MS. NELSON:** Thank you. He's available for  
24 cross-examination.

25           **MS. BURTON-LEE:** The Division has no

1 questions for Mr. Kennedy. Thank you.

2           **THE COURT:** Thank you. And I have just a  
3 question or two about the delay in the implementation of  
4 SNG winter differential for the GS and FS rate classes.  
5 And I've got the right witness, I hope.

6           **THE WITNESS:** I hope so, too.

7           **THE COURT:** Mr. Mendenhall will hope so. Is  
8 that right, Mr. Mendenhall?

9           **MR. MENDENHALL:** Yes.

10          **THE COURT:** Can you just give me a little  
11 detail on what's --

12          **THE WITNESS:** The driving force behind?

13          **THE COURT:** -- what's involved there, what  
14 the underlying rationale is? You might need to just  
15 repeat in different words what's already been provided to  
16 the Commission, but I'd like to hear from you about that.

17          **THE WITNESS:** Currently, the way supplier  
18 non-gas costs are collected, it's collected through a  
19 winter differential that is higher in the winter for the  
20 five winter months, and then it's a lot lower during the  
21 rest of the seven summer months.

22                 And it was a cycle of -- kind of -- you can  
23 describe it as a scallop, where it just comes down to  
24 zero and over collects, and then comes back down to zero  
25 in our 191 account and then over collects, which incurred

1 a lot of extra interest costs. If it was always over  
2 collected, we're at zero, where we're trying to follow  
3 the same pattern as was recommended with the Demand Site  
4 Management Institute to bring it to a cyclical pattern,  
5 like a sine wave.

6           If you'll turn to Exhibit 1.11, page 1 and  
7 page 2, that shows the scallop-type current collection  
8 process on page 1, which you can see it's basically over  
9 collected all the time or down to zero. And then on page  
10 2 is what we'd like to go with, bring it in line to a  
11 cyclical pattern of under collected and over collected  
12 approximately half of the year. So the net interest  
13 would be paying and then collected and then net to zero.  
14 So bring the interest costs to the customers basically  
15 down to zero, and for the Company.

16           And so to facilitate going to that cycle, we  
17 had to start under collecting a little bit. Delaying  
18 going from the summer rates to the winter rates by two  
19 months facilitates us under collecting enough that we can  
20 start that process. And then, as we said and as outlined  
21 in Mr. Barrow's testimony, that next spring when we file,  
22 we will then set up amortization to make it so then  
23 it's -- just as close as possible goes above and below  
24 just about the same amount.

25           So it was two months of high winter rates --



1 or high winter volumes, November, December that if we  
2 collect less with the summer differential instead of  
3 winter, then it starts this process.

4 **THE COURT:** So that's why it only needs to be  
5 a one-time adjustment fee to change --

6 **THE WITNESS:** We just started into that and  
7 then we will continue each year with amortization that  
8 we're going to go to this next spring. And we'll know  
9 what that is after we've gone through the winter.

10 **THE COURT:** And so in 2012, you'd expect that  
11 the winter rate differential would take place at the  
12 normal or the customary time; right?

13 **MR. KENNEDY:** That's why we filed two sets of  
14 sheets, the one effective for October through  
15 December 31st and then the next one starts January. And  
16 it's just the normal cycle of the winter/summer  
17 differential for SNG.

18 **THE COURT:** Thank you. Okay those are all my  
19 questions. Thank you very much.

20 **MS. NELSON:** I don't have any further  
21 questions, either.

22 **THE COURT:** Okay. And should we take care of  
23 receiving the written materials into evidence now, or  
24 when would you like to do that, Ms. Nelson?

25 **MS. NELSON:** The application?

1           **THE COURT:** Right, and the underlying --

2           **MS. NELSON:** I'd move for that right now.

3           **THE COURT:** Okay. And we'll mark that as  
4 Exhibit 1. Is there any objection to it being received?

5           **MS. BURTON-LEE:** No, there is no objection.

6           **THE COURT:** Okay. Thank you.

7           Ms. Burton-Lee?

8           **MS. BURTON-LEE:** The Division would call  
9 Mr. Marlin Barrow as the witness in this docket. He  
10 needs to be sworn in, I believe.

11   **MARLIN BARROW,**

12           called as a witness by and on behalf of  
13           the Division of Public Utilities, having  
14           been first duly sworn, was examined and  
15           testified as follows:

16           **THE COURT:** Thank you, Mr. Barrow.

17   **DIRECT EXAMINATION**

18 **BY MS. BURTON-LEE:**

19           Q. Mr. Barrow, could you state your name -- your  
20 full name and address and your position with the Division  
21 for the record, please?

22           A. Yes. It's Marlin Barrow. I work for the  
23 Division of Public Utilities at 160 East 300 South, Heber  
24 Wells Building. I'm employed as a technical consultant  
25 with the Division.

1 Q. Thank you. And did you participate in that  
2 position in the Division's review and recommendations in  
3 this Docket 11-35 -- or 11-057-08?

4 A. Yes, I did.

5 Q. And did you prepare a memorandum with regard  
6 to that review and those recommendations?

7 A. Yes. We prepared a Division memo dated  
8 September 19th, which was filed with the Commission.

9 Q. And do you have any corrections or  
10 clarifications to that memo today with regard to this  
11 docket?

12 A. No.

13 Q. Do you have a summary prepared to provide as  
14 testimony today on that docket?

15 A. It's a very brief summary, just more or less  
16 repeating what Mr. Kennedy already said, that in Docket  
17 11-057-08 there is a total request for a decrease of  
18 \$26,181,000 in gas costs. And without going into the  
19 specifics about what each component is based on, which is  
20 discussed in the Division's September 19th memo,  
21 \$6,017,000 is due to a decrease in the commodity gas  
22 costs, which is based on projection of future market  
23 prices, while \$20,164,000 is due to a decrease in the  
24 supplier non-gas cost rate.

25 The primary driver behind that reduction in

1 the SNG gas cost is a request to delay the implementation  
2 of the winter rate differential from November 2011 until  
3 January 2012. The purpose for this request is to better  
4 manage the account balance swings that occur in the SNG  
5 gas cost portion of the 191 account.

6 The effect of this request, if approved by  
7 the Commission is a typical GS residential customer will  
8 see an approximate reduction of \$18.51 in their gas bill.  
9 And that concludes my remarks on this docket.

10 **THE COURT:** Thank you. Ms. Nelson, any  
11 questions?

12 **MS. NELSON:** I have no questions.

13 **THE COURT:** Thank you. Nor do I. Thank you  
14 very much.

15 Let's turn to the three remaining dockets,  
16 09, 10 and 11. Ms. Nelson?

17 **MS. NELSON:** The Company calls Mr. Kelly  
18 Mendenhall.

19 **KELLY MENDENHALL,**

20 called as a witness by and on behalf of  
21 Questar, having been first duly sworn,  
22 was examined and testified as follows:

23 **THE COURT:** Thank you.  
24  
25

1 DIRECT EXAMINATION

2 BY MS. NELSON:

3 Q. Mr. Mendenhall, can you state your full name  
4 and business address for the record?

5 A. Sure. Kelly B. Mendenhall, and I work for  
6 Questar Gas at 180 East 100 South, Salt Lake City, Utah.

7 Q. And what position do you hold with the  
8 Company?

9 A. I am the director of regulatory affairs.

10 Q. And in that capacity, did you participate in  
11 the preparation of the applications filed in 11-057-09,  
12 11-057-10 and 11-057-11?

13 A. Yes, I did.

14 Q. Could you please summarize the relief the  
15 Company seeks in the application filed in 11-057-09, the  
16 Conservation Enabling Tariff docket?

17 A. Yes, in Docket 10-057-09, the Application of  
18 Questar Gas to Amortize the Conservation Enabling Tariff  
19 Balancing Account, the Company is proposing to make  
20 changes to its conservation enabling tariff amortization  
21 rate. In March 2011, the Company set rates to give back  
22 \$5.7 million they had over collected from customers, and  
23 it did that by giving them a credit as part of the rate.

24 And currently, the Company has over collected  
25 by about \$1.9 million, and so we'll continue to give the

1 customers the credit in this component of the rate. But  
2 because it's \$3.9 million higher than it was before, that  
3 will cause an increase in -- an increase to customers of  
4 \$3.9 million dollars.

5           So this increase will be spread to GS  
6 customers by applying a percentage increase to current  
7 rates, and this change in the CET amortization rate will  
8 result in a \$3.62 per year increase to the typical GS  
9 residential customer's bill. And the Company is  
10 proposing that this change be made effective October 1st,  
11 2011.

12           **MS. NELSON:** And I can proceed to have him  
13 offer summaries of each of the other dockets, if that's  
14 suitable?

15           **THE COURT:** I think that's a good process.  
16 Thank you.

17           Q.     **(BY MS. NELSON)** Okay. Mr. Mendenhall, can  
18 you also, for all of us, summarize the relief that the  
19 Company sought in 11-057-10, the docket pertaining to the  
20 energy assistance fund?

21           A.     Yes. In Docket 11-057-10, the Application of  
22 Questar Gas Company for a Tariff Change and Adjustment to  
23 the Energy Assistance Rate, the Company is proposing to  
24 make a couple of changes. How this fund works is we  
25 collect \$1.5 million per year from customers in all of

1 our rate classes, and then that one-and-a-half million  
2 dollars is given to low-income customers who qualify  
3 under the program.

4           And so we're -- last year we over collected  
5 \$57,000 from our customers, and so we're reducing --  
6 we're proposing to reduce that amount collected in the  
7 upcoming year. And then we're also in meetings with the  
8 interested parties that the Department of Community and  
9 Culture, who qualifies these customers, they are  
10 expecting a lower participation rate in the upcoming  
11 year. And so we're proposing to increase the credit  
12 given to these customers from \$37 to \$52.

13           So the change to all of the classes -- the  
14 change to the typical GS customer who is paying the  
15 credit will be about a four-cent decrease, and the  
16 Company is proposing that this change go into effect  
17 October 1st, 2011.

18           Q. And, Mr. Mendenhall, can you also summarize  
19 for us the relief that the Company seeks in the 11-057-11  
20 docket related to the infrastructure rate adjustment  
21 mechanism?

22           A. Yes. In Docket 11-057-11, the Application of  
23 Questar Gas to Include the Infrastructure Rate  
24 Adjustment, the company is proposing to increase rates to  
25 collect an additional -- an additional \$3.4 million in

1 replacement infrastructure costs. The Company is  
2 proposing to collect these costs from all rate classes,  
3 and this change in rates will result in a \$3.13 per year  
4 increase to the typical GS residential customer's bill.  
5 And the Company is proposing that this change be made  
6 effective October 1st, 2011.

7 Q. Mr. Mendenhall, were you aware that on  
8 September 19th the Division of Public Utilities filed an  
9 action request response addressing each of these three  
10 dockets?

11 A. Yes.

12 Q. And have you reviewed that memorandum?

13 A. I have.

14 Q. Do you agree with its contents as it relates  
15 to these three dockets?

16 A. I do. And in the memo, Mr. Barrow made a  
17 couple of updates to Exhibit 1.3 and 1.4 in the  
18 infrastructure rate adjustment docket, Docket 11. And  
19 I've reviewed that and agree with the adjustments he's  
20 made.

21 **MS. NELSON:** I have no further questions.

22 **THE COURT:** Thank you. Ms. Burton-Lee?

23 **MS. BURTON-LEE:** The Division has no  
24 questions for Mr. Mendenhall.

25 **THE COURT:** Thank you. Nor do I.





1 the effect of increasing the DNG rate component of GS  
2 customers. As a result of this, a typical GS customer --  
3 residential customer will see an approximate increase of  
4 \$3.62 in their annual gas bill.

5 Q. And is that summary provided in greater  
6 detail in the comments of the response of September 19th  
7 you prepared and filed on behalf of the Division?

8 A. Yes, it is.

9 Q. Did you also provide comments with regard to  
10 Docket 11-057-10?

11 A. Yes.

12 Q. Do you have a summary of those comments  
13 today?

14 A. Yes, I do.

15 Q. Would you provide those, please?

16 A. Yes. Docket No. 11-057-10 is a request to  
17 slightly decrease the low-income assistance rate  
18 component of the DNG rates, as well as increase the  
19 annual assistance contribution to qualified low-income  
20 customers from \$37 a year to \$52 a year.

21 The Division has reviewed the exhibits  
22 attached with the application and agrees with the  
23 methodology used in calculating the new rate and agrees  
24 that the rate calculation is in compliance with Utah Code  
25 54-7-13.6.

1           The increase to \$52 a year assistance  
2 allowance is based on a projection of only being able to  
3 serve approximately 30,000 customers during the year due  
4 to anticipated funding cutbacks, which may close the  
5 agencies responsible for qualifying low-income customers  
6 earlier than what has been previously the case.

7           This rate decrease will have a very minimal  
8 effect on a typical GS residential customer, by reducing  
9 it by approximately four cents a year.

10          Q.    Thank you.  And did you also provide -- in  
11 your Agency Action Response Memorandum of September 19th,  
12 did you also provide comments with regard to Docket  
13 11-057-11?

14          A.    Yes, I did.

15          Q.    And do you have a summary today of those  
16 comments?

17          A.    I do.  Docket No. 11-057-11 is a request to  
18 increase the infrastructure rate component of the DNG  
19 rates of all customers.  The Division reviewed all of the  
20 exhibits included in the application and agrees with the  
21 method of calculation shown in those exhibits.

22                However, in reviewing Exhibit 1.3, the  
23 Division noted there was a discrepancy in some of the  
24 volumes used in the calculation.  And after consulting  
25 with the Company, obtained a new revised Exhibit 1.3,

1 which was filed with the Division's memo on  
2 September 19th.

3           With the filing of the revised Exhibit 1.3,  
4 the Division agrees with the revised rates as shown in  
5 that exhibit. The effect of these revised rates on a  
6 typical GS residential customer will be an increase in  
7 their annual gas bills of approximately \$3.13.

8           In summary, the combined effect of these four  
9 filings on a typical GS residential customer will reduce  
10 their annual gas bills by \$11.87 or 1.71 percent from the  
11 rates currently in effect.

12           The Division recommends the Commission  
13 approve the adjustments requested in Dockets 11-057-08,  
14 11-057-09 and, as revised, Docket No. 11-057-11 on an  
15 interim basis until the Division can complete the audits  
16 on these dockets with an effective date of October 1st,  
17 2011.

18           The Division believes the request for rate  
19 changes in these four dockets represents fair and  
20 equitable rates and are in the public interest.

21           That concludes my remarks.

22           **MS. BURTON-LEE:** Thank you, Mr. Barrow. The  
23 Division would ask the Commission to either take judicial  
24 notice of its memorandum filed on September 19th as part  
25 of the record, or if the Commission would like to mark it

1 as an exhibit, that would be agreeable, as well.

2           **THE COURT:** Thank you. Yes, I think I  
3 misspoke earlier. Let me just be clear with the exhibit  
4 numbering.

5           The application 08 will be Exhibit 1, 09 will  
6 be 2, 10 will be 3, and 11 will be 4, referring to the  
7 last two digits of each docket number. And then I'll  
8 mark as Exhibit 5 the Action Request Response of the  
9 Division.

10           **MS. BURTON-LEE:** And it would be identified  
11 as an exhibit in each docket, since it applies to each  
12 docket, whether you want to do 5, 6, 7, 8 or just however  
13 the Commission -- that's why I was suggesting maybe  
14 judicial notice as it being part of the record, in that  
15 it was submitted and filed in the docket itself already.

16           **THE COURT:** Thank you for helping me through  
17 this. Let's be off the record for a minute.

18           (A discussion was held off the record.)

19           **THE COURT:** Back on the record. We'll be on  
20 the record, and I'm going to take a third stab at marking  
21 these exhibits.

22           The Application 11-057-08 will be Exhibit 1  
23 in that docket. And the application in Docket  
24 No. 11-057-09 will be Exhibit 1 in that docket. The  
25 application in Docket No. 11-057-10 will be Exhibit 1 in

1 that docket. And the application filed in Docket  
2 No. 11-057-11 will be Exhibit 1 in that docket.

3 The Action Request Response dated  
4 September 19th, 2011, provided to the Commission by the  
5 Division of Public Utilities will be Exhibit 2 in each of  
6 the four dockets that are under consideration today.

7 Is there anything further that the applicant  
8 desires to present today.

9 **MS. NELSON:** No. We have no questions for  
10 Mr. Barrow and we have no further witnesses.

11 **THE COURT:** Thank you. Ms. Burton-Lee?

12 **MS. BURTON-LEE:** The Division has nothing  
13 further, as far as testimony. Just one other comment,  
14 that it was the Division's recommendation and continues  
15 to be the recommendation that these rates go into effect  
16 October 1st on an interim basis, subject to the audit.

17 **THE COURT:** Thank you. And it's my intent to  
18 recommend to the Commission that they follow the  
19 Division's recommendation and that the rates take effect  
20 on an interim basis subject to the completion of the  
21 division's audit.

22 Thank you all for your participation today.

23 **MS. NELSON:** Thank you.

24 **THE COURT:** We'll be off the record.

25 **MS. BURTON-LEE:** Thank you.  
(The hearing was concluded at 10:33 a.m.)

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C E R T I F I C A T E

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

This is to certify that the foregoing proceedings were taken before me, KAREN CHRISTENSEN, a Registered Professional Reporter and Notary Public in and for the State of Utah.

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting.

That a full, true and correct transcription of said proceedings so taken and transcribed to the best of my ability is set forth in the foregoing pages, numbered 3 through 22, inclusive.

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

Witness my hand and official seal at West Jordan, Utah, this 10th day of October 2011.

\_\_\_\_\_  
Karen Christensen, CSR, RPR  
My Commission Expires:  
December 30, 2011