

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Pass-Through
Application of Questar Gas Company
For an Adjustment in Rates and
Charges for Natural Gas Service
In Utah.

Docket No. 13-057-03

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HEARING AND PROCEDURAL ORDER  
ADMINISTRATIVE LAW JUDGE REIF  
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PLACE: 1 Heber M. Wells
60 East 300 South
Salt Lake City, UT

DATE: May 29, 2013

TIME: 1:00 p.m.

REPORTED BY: Kellie Peterson, RPR

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APPEARANCES

FOR THE DIVISION:

Justin Jetter, Esq.

DIVISION OF PUBLIC UTILITIES

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FOR THE APPLICANT:

Jenniffer Nelson Clark, Esq.

QUESTAR GAS COMPANY

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ALSO APPEARING:

Austin Summers

Dan Martinez

Barry McKay

Eric Orton

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Hearing and Procedural Order

May 29, 2013

PROCEEDINGS

ADMINISTRATIVE LAW JUDGE REIF: All right, we will be on the record. Good afternoon, everyone. I am Melanie Reif, the administrative law judge for the Utah Public Service Commission, and this is hearing Docket 13-057-03, entitled, "In the matter of the pass-through application of Questar Gas Company for an adjustment in rates and charges for natural gas services in Utah."

We will start by taking appearances, please.

MS. CLARK: Jenniffer Nelson Clark on behalf of Questar Gas Company, and with me, I have Austin Summers and Barry McKay.

ADMINISTRATIVE LAW JUDGE REIF: Mr. Jetter?

MR. JETTER: Justin Jetter, representing the Utah Division of Public Utilities, and with me is Erick Ward.

ADMINISTRATIVE LAW JUDGE REIF: Okay, and Dan?

MR. MARTINEZ: Dan Martinez with the Office of Consumer Services.

ADMINISTRATIVE LAW JUDGE REIF: And, Mr. Martinez, you are represented pro se today?

MR. MARTINEZ: Yes.

ADMINISTRATIVE LAW JUDGE REIF: Okay, thank

1 you.

2 Ms. Clark, I will let you begin since this is your
3 application.

4 MS. CLARK: I have Mr. Summers here -- excuse
5 me, I have Mr. Summers here with me to summarize the relief
6 the Company has requested, and I also have Mr. McKay in the
7 event there are questions that stray beyond Mr. Summers'
8 knowledge. I don't know if you prefer to have them sworn or if I
9 should just proceed.

10 ADMINISTRATIVE LAW JUDGE REIF: Why don't
11 we swear them in and in the event that we do need Mr. McKay's
12 testimony, we'll swear them in both at the same time.

13 MS. CLARK: Thank you.

14 ADMINISTRATIVE LAW JUDGE REIF: Okay. So,
15 Mr. Summers and Mr. McKay, would you please raise your right
16 hands?

17 AUSTIN SUMMERS, called as a witness and having
18 been duly sworn, was examined and testified as follows:

19 ADMINISTRATIVE LAW JUDGE REIF: Thank you
20 both. You may proceed.

21 EXAMINATION

22 BY-MS.CLARK:

23 Q. Mr. Summers, would you please state your name
24 and business address for the record?

25 A. My name is Austin Summers. My business address

1 is 333 South State Street, Salt Lake City, Utah.

2 Q. And do you work for Questar Gas Company?

3 A. I do. I work for Questar Gas Company.

4 Q. What is your title?

5 A. Supervisor of regulatory affairs.

6 Q. In your capacity, did you participate in the
7 preparation of the application in this matter?

8 A. I did.

9 Q. Could you please summarize the Company's
10 request for relief?

11 A. Yes.

12 Q. Thank you.

13 A. In pass-through Docket No. 13-057-03, Questar
14 Gas Company respectfully asked the Utah Public Service
15 Commission for approval for \$611,127,889 in Utah gas cost
16 coverage. This represents an overall increase of \$61,435,000.
17 Components of the increase are \$65,209,000 in commodity, and
18 a decrease of \$3,775,000 in supplier non gas costs.

19 Also, we are requesting amortization of the
20 commodity portion of the March, 2013, over collected 191
21 account balance of \$7,863,844 by a credit surcharge of .07576
22 cents per decatherm. We usually average the forecasted gas
23 prices from two agencies; namely, PIRA Energy Group and
24 Cambridge Energy Research Associates, to develop the cost of
25 purchased gas.

1 If this filing is allowed, the typical Utah GS
2 customer using 80 decatherms per year will see an increase of
3 \$47.39, for total annual increase of about 7.08 percent.
4 Therefore, we request the increase proposed in commodity and
5 SNG rates be allowed to go in effect as filed on June 1, 2013.
6 Thank you.

7 MS. CLARK: Mr. Summers is available for further
8 questioning.

9 ADMINISTRATIVE LAW JUDGE REIF: Any
10 questions, Mr. Jetter?

11 MR. JETTER: I have no questions, thank you.

12 ADMINISTRATIVE LAW JUDGE REIF: Any
13 questions, Mr. Martinez?

14 MR. MARTINEZ: No.

15 ADMINISTRATIVE LAW JUDGE REIF: Okay. No
16 further questions.

17 MS. CLARK: Thank you. I have nothing further.

18 ADMINISTRATIVE LAW JUDGE REIF: Okay. Mr.
19 Jetter?

20 MR. JETTER: The Division would like to call our
21 witness Eric Orton.

22 ADMINISTRATIVE LAW JUDGE REIF: Mr. Orton,
23 are you prepared to testify?

24 MR. ORTON: I am.

25 ADMINISTRATIVE LAW JUDGE REIF: Would you

1 please raise your right hand?

2 ERIC ORTON, called as a witness and having been
3 duly sworn, was examined and testified as follows:

4 EXAMINATION

5 BY-MR.JETTER:

6 Q. Mr. Orton, would you please state your name and
7 occupation for the record?

8 A. My name is Eric Orton. I'm a utility analyst for the
9 Division of Public Utilities.

10 Q. Thank you. And have you prepared a statement for
11 today's hearing?

12 A. I have.

13 Q. Could you please go ahead and proceed?

14 A. Certainly. The Division reviewed the Company's
15 application in Questar Gas Docket No. 13-057-03, the 191
16 pass-through account, and on May 20, 2013, filed our response
17 and recommendation to the Commission's action requests.

18 First, we addressed the pass-through docket, and
19 in response to the amended action request, we addressed the
20 ten percent increase in the Wexpro operator service fee, which
21 is a subset of that pass-through filing, first the 191
22 pass-through.

23 Based on current gas cost rates and the GS rate
24 class, if approved, the typical GS residential customer will
25 receive an increase in their annual bill of approximately \$47.39.

1 The final cost for the delivered gas will be \$5.74 per decatherm.
2 The Company expects to supply 111 million decatherms, 64
3 percent of that would come from Wexpro production and 36
4 purchased from third parties. This level of Wexpro production is
5 higher than it has ever been. The Division will monitor closely
6 the effects of physical and financial of the increase in Wexpro
7 production and a report to the Commission is necessary.

8 The Company has chosen not to include any
9 stabilization costs, which effectively mitigates the increase by,
10 approximately, \$2 million, and repairs at the Rickman (sic)
11 storage fields are progressing and the facility should be up and
12 on track again soon.

13 Now the operator service fee; the drivers for the ten
14 percent of the \$30.2 million increase are attributable to the
15 increases in Wexpro taxes, return on investments, depreciation,
16 and operations and maintenance and general and administrative
17 expenses. These components of the operator service fee are
18 calculated based on Wexpro production volumes, which increase
19 7 percent and the market price of natural gas, which increased
20 43 percent since the last pass-through filing. Therefore, given
21 the magnitude of this increases, an increase in the operator
22 service fee of ten percent is not surprising.

23 Wexpro's operations and maintenance and general
24 and administrative costs are manageable to some extent and
25 should be tightly controlled. All those these costs increased in

1 this filing as a percentage of costs per decatherm produced, the
2 costs have slightly decreased.

3 The Division believes that the rate increase
4 proposed by the Company result in just and reasonable rates
5 that are in the public's interest, and recommend that this rate
6 change requested in docket 13-057-03 be approved by the
7 Commission on an interim basis until the Division can complete
8 its audit. After the completion of the audit, the Division will
9 issue a memo to the Commission with its recommendations.

10 Thank you.

11 ADMINISTRATIVE LAW JUDGE REIF: Thank you,
12 Mr. Orton.

13 Ms. Nelson, do you have any questions for Mr.
14 Orton?

15 MS. CLARK: I do not. Thank you.

16 ADMINISTRATIVE LAW JUDGE REIF: Mr
17 Martinez?

18 MR. MARTINEZ: No questions.

19 ADMINISTRATIVE LAW JUDGE REIF: Okay, thank
20 you.

21 Mr. Orton, I have a few questions for you. In your
22 testimony today, you referenced reporting to the Commission as
23 necessary and your memo also references the audit that the
24 Division will be conducting.

25 MR. ORTON: Yes.

1 ADMINISTRATIVE LAW JUDGE REIF: And your
2 final statement also reiterated that. I'm assuming the
3 Commission is assuming that the audit that will be conducted
4 will consider the operator service fee and the cost of service for
5 gas from oil reservoirs and contain only necessary and
6 reasonable operating expenses for ONN and GNA; is that a
7 correct assumption?

8 MR. ORTON: Yes, we will look at that very closely.

9 ADMINISTRATIVE LAW JUDGE REIF: Okay. And
10 will your audit also address the evaluation of Questar's
11 management of Wexpro volumes?

12 MR. ORTON: Yes.

13 ADMINISTRATIVE LAW JUDGE REIF: Okay. And
14 in so doing, do you anticipate that you will delineate costs that
15 are attributable to Wexpro as opposed to Wexpro II?

16 MR. ORTON: When and if Wexpro II comes, those
17 will be separated.

18 ADMINISTRATIVE LAW JUDGE REIF: Okay, very
19 good. I have no further questions. Thank you very much.

20 Mr. Martinez, would you like to be sworn in?

21 MR. MARTINEZ: Sure.

22 ADMINISTRATIVE LAW JUDGE REIF: Okay.

23 DAN MARTINEZ, called as a witness and having
24 been duly sworn, was examined and testified as follows:

25 ADMINISTRATIVE LAW JUDGE REIF: You can

1 proceed.

2 MR. MARTINEZ: At this time, the Office has
3 reviewed the application set forth by the Company and does not
4 oppose the application at this time. Thank you.

5 ADMINISTRATIVE LAW JUDGE REIF: Okay. Mr.
6 Martinez is open for questioning, Ms. Nelson?

7 MS. CLARK: I have no questions, thank you.

8 ADMINISTRATIVE LAW JUDGE REIF: Mr. Jetter?

9 MR. JETTER: I have no questions, thank you.

10 ADMINISTRATIVE LAW JUDGE REIF: Okay. Mr.
11 Martinez, is it the Office's position that the application as
12 presented should be approved by the Commission?

13 MR. MARTINEZ: At this time, yes.

14 ADMINISTRATIVE LAW JUDGE REIF: Okay. And
15 is it the Office's position that doing so would be just and
16 reasonable and in the public's interest?

17 MR. MARTINEZ: Yes.

18 ADMINISTRATIVE LAW JUDGE REIF: Thank you.
19 Is there anyone here who wishes to raise an opposition
20 concerning the application? Okay, hearing none, the
21 Commission assumes there is no objection. Unless there are
22 questions, I would like to take a few minute recess and I will be
23 back. Are there any questions before we do so? Okay, thank
24 you. We will be off the record and in recess for a few minutes.

25 (A discussion was held off the record.)

1 ADMINISTRATIVE LAW JUDGE REIF: Thank you
2 all for that short break. We are back on the record, and I want
3 to followup with the Division, please, on a question that I raised,
4 just to be absolutely clear that my question was understood and
5 just to make sure that we have a clear record on this.

6 So, Mr. Orton, I would like to ask you, as I was
7 asking previously and remind you that you are still under oath,
8 and with respect to the question that I asked about Wexpro I
9 and Wexpro II and the costs associated and looking at those
10 costs when you are conducting your audit, I want to be
11 absolutely certain that it was clear that what I intended to ask
12 was that Wexpro II costs would not be included in the rates for
13 purposes of this pass-through application, and even taking it a
14 step further, in fact, Wexpro I and Wexpro II would be
15 completely separate, that there would be no combining of the
16 two?

17 MR. ORTON: Yes.

18 ADMINISTRATIVE LAW JUDGE REIF: That is yes
19 to both questions?

20 MR. ORTON: Yes to both questions.

21 ADMINISTRATIVE LAW JUDGE REIF: Okay, thank
22 you very much. Thank you everyone for being here today. I do
23 wish to announce a ruling from the bench. Noting that the
24 applicant wishes to make these rates effective June 1st, it is the
25 decision of the Commission that the application is approved

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effective June 1st, 2013. The rates are interim rates pending the audit which Mr. Orton has clarified what will include, and if there are no questions, then the hearing is adjourned. Thank you very much.

(The hearing was concluded at 1:20 p.m.)

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REPORTER'S CERTIFICATE

State of Utah)
)
County of Salt Lake)

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

 That the proceeding was reported by me in
stenotype and thereafter caused by me to be transcribed into
typewriting, and that a full, true, and correct transcription of
said testimony so taken and transcribed is set forth in the
foregoing pages;

 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.

KELLIE PETERSON, RPR