

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

Docket No. 13-057-05

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HEARING PROCEEDINGS, DAY 1  
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TAKEN AT: Public Service Commission  
Hearing Room 403  
160 East 300 South  
Salt Lake City, Utah

DATE: Monday, January 13, 2014

TIME: 9:01 a.m.

REPORTED BY: Teena Green, RPR, CSR, CRR, CBC

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**EXHIBITS RECEIVED**

QGC Exhibits 1.0 SR and 1.1	78
UAPA Exhibit 1.0	88
QGC Exhibit 4.0 SR	95
Exhibits OSC-1SR and OSC-1SR 1.0	138
Exhibit No. UHBA 1.0, with the attachments 1.1, 1.2, 1.3, 1.4, and 1.5	152
QGC Exhibit 6.0 SR	182
Emery 1.0 Surrebuttal Testimony of Michael McCandless	200

	INDEX	
	Witness:	Page
1		
2		
3	BARRIE L. McKAY	
4	Direct Examination by Ms. Clark	15
5	ARTIE POWELL	
6	Direct Examination by Mr. Jetter	42
7	MICHELE BECK	
8	Direct Examination by Mr. Coleman	48
9	ARTIE POWELL	
10	Cross Examination by Mr. Jetter	72
11	BARRIE L. McKAY	
12	Direct Examination by Ms. Clark	77
13	DANNY MARTINEZ	
14	Direct Examination by Mr. Coleman	84
15	REED RYAN	
16	Direct Examination by Mr. Grundvig	87
17	Cross Examination by Ms. Clark	90
18	AUSTIN SUMMERS	
19	Direct Examination by Ms. Clark	93
20	Voir Dire Examination by Mr. Smith	94
21	Direct Examination (Continued)	95
22	Cross Examination by Mr. Smith	98
23	Redirect Examination by Ms. Clark	122
24	Recross Examination by Mr. Smith	125
25		

1	INDEX (CONT.)	
2	DOUGLAS WHEELWRIGHT	
3	Direct Examination by Mr. Jetter	128
4	Cross Examination by Mr. Smith	131
5	DANNY MARTINEZ	
6	Direct Examination by Mr. Coleman	136
7	Cross Examination by Mr. Smith	138
8	REED RYAN	
9	Direct Examination by Mr. Grundvig	145
10	Cross Examination by Ms. Clark	147
11	ROSS FORD	
12	Direct Examination by Mr. Smith	151
13	Cross Examination by Ms. Clark	155
14	Cross Examination by Mr. Jetter	155
15	Cross Examination by Mr. Coleman	161
16	Redirect Examination by Mr. Smith	178
17	VAUGHN SHOSTED	
18	Direct Examination by Ms. Clark	181
19	Cross Examination by Mr. Smith	184
20	Redirect Examination by Ms. Clark	195
21	Recross Examination by Mr. Smith	196
22	MICHAEL McCANDLESS	
23	Direct Examination by Mr. Coleman	198
24	Cross Examination by Mr. Smith	202
25	Cross Examination by Ms. Clark	208

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Hearing Proceedings, Day One

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January 13, 2014

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## PROCEEDINGS

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THE HEARING OFFICER: Good morning, ladies and gentlemen. My name is David Clark, and Chairman Allen has asked that I act as THE HEARING OFFICER: In this matter today.

8

We're here to conduct a hearing in Docket No. 13-057-05, which is the application of Questar Gas Company to increase distribution rates and charges and make tariff modifications.

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We'd like to begin by taking the appearance of counsel and any parties unrepresented by counsel who intend to participate in the hearing. And following that, I'll propose an approach to the hearing today that we think might be efficient. We'd like, then, to also hear from you on that proposal and to discuss any other preliminary matters before we begin the evidentiary part of the hearing today.

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So appearances of counsel, we'll begin with the applicant.

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MS. CLARK: Jenniffer Clark and Colleen Larkin Bell on behalf of Questar Gas Company.

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23

MR. JETTER: Justin Jetter representing the Utah Division of Public Utilities.

24

25

MR. COLEMAN: Brent Coleman with the Attorney



1 General's Office representing the Office of Consumer Services.  
2 MR. FIKE: Lieutenant Colonel Greg Fike from the  
3 Federal Executive Agencies.  
4 MR. DODGE: Gary Dodge on behalf of UAE and on  
5 behalf of US Magnesium.  
6 MR. EVANS: William Evans on behalf of the  
7 Industrial Gas Users Intervention Group.  
8 MR. LONG: Adam Long on behalf of the Utah  
9 Homebuilders Association.  
10 THE HEARING OFFICER: Thank you, Mr. Long.  
11 Please take a seat. That table will be just fine.  
12 Are there any parties on the phone who intend to  
13 participate today?  
14 MR. XENOPOULOS: Yes, sir. This is Damon  
15 Xenopoulos on behalf of Nucor Steel of Utah.  
16 THE HEARING OFFICER: Would you spell your  
17 name, please.  
18 MR. XENOPOULOS: First name is Damon,  
19 D-A-M-O-N, last name X-E-N-O-P-O-U-L-O-S.  
20 THE HEARING OFFICER: Thank you, Mr.  
21 Xenopoulos.  
22 MR. XENOPOULOS: Thank you.  
23 THE HEARING OFFICER: Any other parties?  
24 Thank you.  
25 We appreciate very much the parties' efforts to

1 prepare the joint positions matrix that was filed late last week.  
2 It serves as a useful roadmap for us today. And in light of the  
3 information presented here, we would propose to proceed as  
4 follows:

5 First, to hear testimony in support of the partial  
6 settlement stipulation that was filed on December 13, and then  
7 to hear from any parties who oppose that partial settlement  
8 stipulation.

9 There would be direct examination and  
10 cross-examination of witnesses on the issues covered in the  
11 stipulation at that time, then to take up the partial settlement  
12 stipulation dealing with the TS tariff that was filed on January 7,  
13 2014. And we would propose the same process, witnesses in  
14 support and then witnesses in opposition.

15 Then we would propose to take up what is Item 2  
16 on the matrix and is described there as the interruptible sales  
17 customers' commodity rate; followed by Item 3, mains and  
18 services policy; followed by Item 4, customer-installed mains  
19 and/or service lines.

20 And then the final matter would be the cost of  
21 capital and, in particular, the return on equity issues. And we  
22 are aware that at least one witness is only available tomorrow  
23 on this topic. So we're wondering whether we should begin it  
24 today or whether the parties would prefer to take it up tomorrow  
25 only, regardless of when we finish today, assuming we do. So

1 we'd like you to address that.

2 MR. COLEMAN: Mr. Commissioner?

3 THE HEARING OFFICER: Yes.

4 MR. COLEMAN: Brent Coleman. That witness is  
5 submitted on behalf of the Office, so the witness is only  
6 available for one day. So the parties have agreed to proceed  
7 with whatever is the most efficient approach--or the parties  
8 agreed among themselves and we propose to proceed through  
9 today with whatever is the most efficient, withholding the ROE,  
10 to separate, and then move directly to the ROE issue tomorrow  
11 to accommodate and allow the Office's witness to fully  
12 participate.

13 And then at the conclusion of that subject matter,  
14 whether that be on Tuesday or perhaps on Wednesday,  
15 reinstate the agenda as sort of suspended at the end of today.

16 THE HEARING OFFICER: So if we don't conclude  
17 the other issues, then the parties who proposed to wait, take up  
18 ROE, at least to the extent of hearing from your witness or from  
19 all the witnesses?

20 MR. COLEMAN: I think all the witnesses with  
21 respect to ROE would be presented on Tuesday, if that's  
22 acceptable.

23 THE HEARING OFFICER: All right. Thank you for  
24 that information.

25 And so what other comments are there on the

1 proposed order of issues?

2 MS. CLARK: I have comments related but not on  
3 the order of issues. The order of issues is fine.

4 THE HEARING OFFICER: Any other preliminary  
5 matters that anyone would like to address?

6 MS. CLARK: I have a couple, if I may.

7 The first is with regard to the settlement  
8 stipulations. Mr. McKay will be offering testimony on behalf of  
9 the Company. However, we also have Austin Summers and  
10 Kelly Mendenhall available to answer questions, should any of  
11 you have questions related to the detailed substance.

12 And so I would just indicate that they are available  
13 if you'd like to have them sworn, or if, during the course of  
14 questioning Mr. McKay, it seems that one of them would be  
15 better suited to answer it, I'd just like to make them available, if  
16 that's okay.

17 THE HEARING OFFICER: Thank you, Ms. Clark.

18 MS. CLARK: The second issue I have relates to  
19 admission of exhibits. The parties have agreed that exhibits  
20 going to the settlement stipulation, the prefiled testimony  
21 accompanying the exhibits, should--we stipulate to the  
22 admission of all of those. And in trying to parse those out, I  
23 think perhaps the most efficient way would be that all direct  
24 testimony, excepting return on equity testimony, be deemed  
25 admitted, and then also the testimony of Tina Faust be

1 admitted. And then the parties can handle getting the  
2 remainder of their own testimony admitted through the course of  
3 the hearing, if that meets with your satisfaction.

4 THE HEARING OFFICER: So when you refer to "all  
5 direct testimony, except ROE," are you referring to the  
6 Applicant's testimony or all--

7 MS. CLARK: All parties. So for purposes of the  
8 Company, that would except Mr. Curtis's testimony as he  
9 testifies solely to return issues, but the remainder of the  
10 Company's direct. And I would invite the other parties to  
11 identify their own as well.

12 THE HEARING OFFICER: Thank you.

13 Any objections to that approach?

14 Mr. Jetter?

15 MR. JETTER: The Division would support that  
16 approach as well.

17 MR. COLEMAN: As would the Office.

18 MR. DODGE: UAE also supports. And I might  
19 indicate that--and U.S. Magnesium. We have rebuttal testimony  
20 of Jeff Fishman for UAE and Roger Swenson for U.S.  
21 Magnesium on settled issues that we would also ask to be  
22 admitted, along with the direct testimony of the UAE witnesses.

23 THE HEARING OFFICER: Thank you.

24 Any other matters?

25 MR. XENOPOULOS: I have one preliminary issue.

1 This is Damon Xenopoulos.

2 THE HEARING OFFICER: Yes, Mr. Xenopoulos.

3 MR. XENOPOULOS: I'm seeking clarification of the  
4 third order modifying the scheduling order, which specifies the  
5 stipulating parties should attend the hearing in connection with  
6 the treatment of depreciation. And I'm in attendance primarily  
7 because of that statement in the third order. I'd like to know  
8 whether that means that counsel are required to sit through the  
9 entire hearing or whether we can be excused at our own  
10 discretion.

11 THE HEARING OFFICER: At your discretion, Mr.  
12 Xenopoulos.

13 MR. XENOPOULOS: Thank you, Your Honor.

14 THE HEARING OFFICER: Anything further of a  
15 preliminary nature?

16 MR. COLEMAN: Mr. Commissioner, just to follow  
17 up with the Company's proposal with respect to identification of  
18 testimony, Mr. Vaughn's testimony that has been submitted is  
19 directed to the ROE. So that would be the exception to, at the  
20 moment, the stipulated evidence, but the Office would identify  
21 Mr. Martinez's direct testimony to be--and Mr. Arndt's direct  
22 testimony to be part of the stipulated admission at this time.

23 THE HEARING OFFICER: Any other statements of  
24 counsel regarding the admission of testimony and exhibits now?

25 MR. JETTER: I think the Division would just like to

1 identify Douglas Wheelwright's testimony as our lead witness.  
2 And that testimony then would be excluded from admission at  
3 this time and admitted with his testimony at the appropriate  
4 time.

5 THE HEARING OFFICER: Thank you.

6 All right. The testimony that has been offered for  
7 receipt in evidence now and the accompanying exhibits is  
8 received. The remainder of the testimony we'll take up as those  
9 issues are litigated throughout today and tomorrow and as the  
10 hearings proceed.

11 Anything else of a preliminary nature?

12 Okay. Ms. Clark?

13 MS. CLARK: The Company calls Mr. Barry McKay  
14 to testify in support of the partial settlement stipulation.

15 THE HEARING OFFICER: And, Mr. McKay, would  
16 you raise your right hand, please.

17 BARRIE L. MCKAY, called as a witness for and on  
18 behalf of Questar, being first duly sworn, was examined and  
19 testified as follows:

20 THE HEARING OFFICER: Thank you. Please be  
21 seated.

22 DIRECT EXAMINATION

23 BY-MS.CLARK:

24 Q. Could you please state your name for the record.

25 A. Barrie L. McKay.

1 Q. And by whom are you employed?

2 A. Questar Gas Company.

3 Q. What is your title?

4 A. I'm the vice president of regulatory affairs in the  
5 energy efficiency area.

6 Q. Would you please summarize the partial settlement  
7 stipulation that was filed on December 13, 2013?

8 A. Yes.

9 Q. Thank you.

10 A. All right. The purpose here is to have us try to  
11 walk through some of those things--well, all of the things related  
12 to this partial settlement stipulation. And parts of this I'd like to  
13 try to go through in kind of more of a summary or higher-level  
14 area, but recognize that there may be questions as we go and  
15 would be happy to answer any of those at that time.

16 I'm getting a little bit of feedback. Am I too close  
17 or--

18 THE HEARING OFFICER: I wonder if those who  
19 have mics open might turn them off and that may help us a bit.

20 And, Mr. McKay, just before you continue, does any  
21 party intend to cross-examine any of the witnesses in the area  
22 of this stipulation?

23 All right. Typically, we permit witnesses to stay  
24 seated next to their counsel in this kind of a process where  
25 there's no cross-examination anticipated, but I just wanted to



1 note that, because I think we'll want witnesses to use the  
2 witness seat when we're going to have cross-examination.

3 Does anyone object to that process? They're more  
4 accessible to counsel that way.

5 No objection? Thank you. All right.

6 Mr. McKay, please proceed.

7 THE WITNESS: The introductory paragraph simply  
8 is the identification of the parties that signed this partial  
9 settlement stipulation. And I think all have identified  
10 themselves and are represented here today.

11 Moving to paragraph 1, our procedural history,  
12 simply recognition that on the 1st of July of 2013, the Company  
13 did file this general rate case, of which we are about to walk  
14 through what portions we have agreed to in settlement, and the  
15 recognition that in that filing the Company was requesting that  
16 approximately \$313 million total annual revenue requirement.

17 Paragraph 2 recognizes that on the 22nd of July  
18 there was a scheduling order for this particular docket.

19 Paragraph 3 is on August 13, there was a technical  
20 conference held here in the Heber Wells Building in which the  
21 Company's models were demonstrated to show the parties, or  
22 interveners, how they could modify them based on their  
23 particular positions or perspective in this case.

24 Following that technical conference--actually,  
25 before that technical conference, discovery began in this case.

1 There were on-site audits identified in paragraph 4 by both the  
2 Division and the Office. And to date, over 800 data requests  
3 have been responded to in this docket.

4 On October 30, parties other than the Company, as  
5 well as other interveners, filed direct testimony in this case.

6 And then in paragraph 5 is identified that on  
7 November 12 the parties to this stipulation, as well as other  
8 interveners, engaged in our first confidential settlement  
9 discussions.

10 For the next month, parties continued to meet and  
11 discuss items related to this settlement stipulation. And then on  
12 the 13th of December, as previously noted, this stipulation was  
13 filed with the Commission.

14 And the terms and conditions are set forth here,  
15 beginning in paragraph 6. And we recognize in paragraph 6,  
16 again, that the Company filed for the \$313 million annual  
17 revenue requirement and that--maybe a note here, in fact, the  
18 easiest thing for me when I walk through this is to just simply  
19 pull out Exhibit 1 of this settlement stipulation. And we refer to  
20 that from here forward, at least during the revenue requirement  
21 portion of this settlement stipulation.

22 And we recognize and try to illustrate for people or  
23 parties or the Commission that would be reading and reviewing  
24 and be responsible, for the Commission's sake, approving or  
25 choosing whether or not to approve this stipulation, three

1 different positions as set forth.

2 Column A in Exhibit 1 is the adjustments agreed to  
3 with the Company's proposed return on equity. Column B, as in  
4 boy, shows the Division's position as it relates to their return on  
5 equity that they are proposing. And column C is the Office's.

6 All of the parties do recognize that if a return on  
7 equity is determined different than one of those three identified  
8 numbers, then the overall revenue requirement would also be  
9 changing, but we do that for illustrative purposes.

10 In an effort to be fully understood, the parties  
11 agreed, in paragraph 7, to provide the settlement model. And  
12 that becomes a key thing later on as it relates to the cost of  
13 service and the rate design, particularly those results, but that  
14 model is being provided and is referred to as Exhibit 2 in this  
15 stipulation.

16 To specifically walk through the revenue  
17 requirement adjustments, paragraph 7(a) identifies that the  
18 inflation factors for the second quarter, using the global inside  
19 inflation percentages, would be used. And when they are, that  
20 results in an adjustment of approximately \$195,000 increase to  
21 the revenue requirement. And that can be seen on line 2 of  
22 Exhibit 1.

23 Paragraph B identifies the--for purposes of  
24 settlement, the parties have agreed to a \$3.8 million adjustment  
25 to pensions and other post- employment benefits. That shows

1 on line 3, and that's a reduction in the overall revenue  
2 requirement.

3 Paragraph C identifies that the parties have agreed  
4 that there will be a reduction of about \$4,000 in fines and  
5 penalties, and that shows on line 4.

6 The parties have also agreed to an economic  
7 development adjustment, which is in a reduction to the overall  
8 revenue requirement of approximately \$260,000.

9 Parties have agreed in paragraph (e) to a \$76,000  
10 revenue requirement adjustment related to the Telecom rent.

11 Paragraph (f) identifies a reduction of \$7,000  
12 related to lobbying expense.

13 Paragraph (g) identifies a \$167,000 reduction in the  
14 revenue requirement related to O&M expenses.

15 The parties agreed in paragraph (h) that the  
16 Distrigas that would be used in 2014 should be used in this test  
17 period. And therefore, there was an adjustment of a \$107,000  
18 reduction in the revenue requirement.

19 Paragraph (i) and (j) refer to the levels of labor  
20 both in Questar Gas and in Questar Corporation that the parties  
21 have agreed to, which results in a \$255,000 reduction to the  
22 revenue requirement in paragraph (i) and then a \$406,000  
23 revenue requirement reduction in paragraph (j).

24 Paragraph (k), we've agreed, for purposes of this  
25 settlement, that the actual long-term debt expense, which

1 became available following the filing of the case, which is 5.2  
2 percent, will be used. And this actually results in an increase of  
3 \$97,000 to the overall revenue requirement.

4 Paragraph (l) and (m) identify rate base accounts.  
5 In (l), there's a \$1.4 million revenue requirement adjustment that  
6 the parties have agreed to. And then in paragraph (m), account  
7 106 is being reduced and that reduction is a \$467,000 revenue  
8 requirement adjustment.

9 And finally, in paragraph (n), there is a  
10 nonspecified adjustment related to rate base that the parties  
11 have agreed to for an additional \$500,000.

12 There were numerous components that could be  
13 part of that adjustment, that the parties ultimately didn't  
14 necessarily agree which ones should be adjusted, but we did  
15 agree that that should be the adjustment. And hence, the  
16 nonspecified as it relates to what specifically it is, but the level  
17 should be at a \$500,000 reduction for the overall revenue  
18 requirement.

19 Paragraph (o), it relates to an adjustment that will  
20 depend upon what this Commission orders as far as the return  
21 on equity. And within our company, Questar Corporation  
22 charges to the different affiliates some capitalized costs related  
23 to our new building, and those costs have a return associated  
24 with them.

25 And the parties agreed and recognize, for purposes

1 of the settlement, that that return should be matched with what  
2 this Commission allows. And not knowing what that is, we have  
3 agreed that, whatever it ends up being, that there should be an  
4 adjustment if it is something different than what the Company  
5 has proposed to the overall allowed revenue requirement.

6 That completes the revenue requirement  
7 adjustments that the parties have agreed to, for purposes of  
8 settlement. And paragraph 8 simply walks through what that  
9 summary ends up being in total and recognizes that it is  
10 different, again, depending on the return on equity that is  
11 allowed by this Commission. And that's summarized in line 19  
12 of Exhibit 1 to be about 306 million, as it relates to the  
13 Company's position; 299 million related to the Division's  
14 position; and 297 related to the Office's.

15 The paragraph further summarizes what the overall  
16 efficiency ends up being, and that can be found on line 21 of  
17 Exhibit 1.

18 That essentially summarizes all of the revenue  
19 requirement portion of this settlement. And we next move to  
20 interruptible testing in paragraph 9.

21 And the parties have agreed that there will be no  
22 interruptible testing, as what was proposed in the Company's  
23 original application. And instead, we have agreed, for purposes  
24 of settlement, as identified in paragraph 9(a), that when a party  
25 or a customer has properly been notified that they need to

1 interrupt and then they fail to interrupt, then those volumes that  
2 have been identified that needed to be interrupted, they will  
3 have charged a \$40 per dekatherm penalty for the amount of  
4 dekatherms that they used during the needed period of  
5 interruption.

6           The paragraph further recognizes that in a given  
7 year there may be a need for interruption on more than one  
8 event. And therefore, each time a customer is required to  
9 interrupt and yet they fail to interrupt a given level of volumes,  
10 then that penalty of \$40 per dekatherm would be assessed.

11           The parties also agreed in paragraph 9(a) that any  
12 penalties received from customers that related to the failure to  
13 interrupt would be credited to all other customers. It would not  
14 go just in the Company's revenue account, but instead it would  
15 be credited to all customers. And the mechanism that we would  
16 use is the infrastructure rate-adjustment mechanism.

17           That was chosen because we wanted that credit, if,  
18 in fact, it did occur, to go to all customers. And we recognize  
19 that infrastructure rate-adjustment mechanism does go to all  
20 classes of customers, while, for example, the past account only  
21 goes to our sales customers. And so, hence, the reason why  
22 that mechanism was chosen.

23           Paragraph (b) further has us agreeing that those  
24 customers that failed to interrupt during the period they were  
25 asked, for the volumes--the level volumes that they failed to

1 interrupt, beginning on July 1, the next July 1, that level of  
2 service--for that level of service, those customers will be moved  
3 to the firm rate schedule and will remain on that schedule for  
4 the next three years.

5           Now, we further recognize that, in certain areas of  
6 our system, customers may not be able to be provided firm  
7 sales or firm transportation service because of the capacity that  
8 we have in that area. In that case, those customers would be  
9 billed at the firm level or the demand charges related to that  
10 service, but would continue to receive interruptible service over  
11 that same three-year period.

12           Further, as it relates to interruption, the parties  
13 have agreed, in paragraph 10(a), that on the 28th of February of  
14 each year, a representative with authority from the Company will  
15 sign on the Company's behalf of those choosing to take  
16 interruptible service, a warrant that that customer has and  
17 maintains a backup system capable of providing service during a  
18 requested period of interruption, or we recognize that they may  
19 choose just to be interrupted and that they have the ability to be  
20 interrupted. And they also warrant that that customer can and  
21 will interrupt when requested by the Company.

22           And then lastly, in that paragraph, the parties have  
23 agreed that the signing individual will attest to their knowledge  
24 and understanding of the financial consequences if they fail to  
25 interrupt.



1 That completes our interruptible testing section of  
2 this stipulation.

3 Moving to paragraph 11, still dealing somewhat with  
4 the same topic, we have agreed, for purposes of settlement,  
5 that in Section 5.04, as well as--we're going to be coming up in  
6 Section 5.07, that what in the past had been a requirement, and  
7 that was that all interruptible customers needed to provide their  
8 gas volumes for sale or for purchase by the Company, will be  
9 changed.

10 And so no longer will it be a must, but instead, it  
11 will be changed that they may offer their gas volumes for sale to  
12 the Company and the Company may purchase them.

13 In order to have that be accomplished, the wording  
14 identified at the end of paragraph 11 will become part of the  
15 tariff in Section 5.04.

16 Also, in Section 5.07 of the tariff in paragraph 12, it  
17 will be changed to be consistent with--the customer may offer to  
18 sell and the Company may agree to purchase those volumes  
19 during periods of interruption.

20 In paragraph 13, related to the FT-1 schedule, the  
21 parties have agreed that the current language related to  
22 determining whether or not a customer may be an FT-1  
23 customer will be changed to read that they must use at least  
24 350,000 dekatherms on an annual basis. And then for every  
25 mile away, an additional 225,000 dekatherms needs to be used

1 on an annual basis.

2 It also refers to the path in which that mileage will  
3 be determined will be a just and reasonable perspective as far  
4 as how an operator would determine that.

5 Paragraph 14 deals with our rate spread. And  
6 actually, I think it's best understood if we bring into our view  
7 Exhibit 3. And Exhibit 3 is a summary of the rate spread that  
8 the parties have agreed to for purposes of settlement in this  
9 case.

10 Let's just talk about Exhibit 3 for a minute and then  
11 we'll walk through these paragraphs. And perhaps even before  
12 we do that--Exhibit 3 is the summary results of the settlement  
13 model.

14 Paragraph 14 specifically points out that the parties  
15 do not agree to, necessarily, this settlement model being any  
16 precedential value as it relates to any future proceedings, but  
17 we have agreed for this case and for these purposes that it  
18 produces what we will be testifying to is just and reasonable  
19 rates, but it is only for this case and these purposes, the results  
20 of which are shown here in Exhibit 3. And this is--let's go with  
21 columns here for a minute.

22 In column A, it is a summary of the current DNG  
23 revenues that are related to the different rate schedules for this  
24 test period. You'll see that this shows as the same amount,  
25 whether you were looking at the results related to a return on

1 equity of 1035, which shows that summary on line 8; or 945,  
2 which shows on line 16; or 93, which shows on line 24; but  
3 these are just the current revenues from all of the classes or  
4 rate schedules in this case.

5 The next column, B, are the increases that result  
6 from using this settlement model. Then in column C is the  
7 recognition of the FT-1 class. Fifty percent of the costs related  
8 to that class are picked up by all other rate schedules. And  
9 therefore, that class is being reduced and the other classes are  
10 increasing proportionately.

11 Column D ends up with what is identified as what  
12 the cost of service increase would be. Now, from that point, I  
13 think we can walk through these paragraphs and see how our  
14 agreement relates to them.

15 Paragraph 15 identifies that for the TS and the IS  
16 class, we will take the results that are in column D. And you  
17 can see there, for example, on column D, line 4, that we will  
18 take 60 percent of that resulting increase. And when you do  
19 that, that's the result that you can see in column F, line 4. And  
20 that's the agreed-to, for purposes of settlement, increase for the  
21 TS class and 60 percent also for the IS class.

22 The parties then agree that a 72 percent level of  
23 column D, as in dog, will become or be implemented in 2015.  
24 And that level is calculated and shown in column I for the TS  
25 class and the IS class.

1 So in summary, we're agreeing, for purposes of  
2 settlement, that those two classes will receive 60 percent of the  
3 identified cost increase that the model results with beginning in  
4 March 1 of 2014. Then, with the first filing of infrastructure rate  
5 adjustment mechanism in 2015, those two classes will be moved  
6 to 72 percent of the identified level coming from this  
7 Commission's final order.

8 We have shown, for illustrative purposes, what  
9 those levels would be using the Division's requested return on  
10 equity, as well as the Office's return on equity.

11 Now, one other key thing in this paragraph, and  
12 that's the latter end of it, is that the parties have agreed that  
13 whatever that percentage ends up being--and in this instance  
14 using the Company's allowed return, the percentage increase for  
15 the TS class would end up being a 20 percent increase. And you  
16 can see that in column G.

17 In other words, when they get 60 percent of the  
18 identified increase, that ends up being a total of 20.2 percent  
19 related back to their current revenues, and that percentage will  
20 be matched for the FT-1 class. And so you can see on line 5,  
21 column G, and line 5, column J, that the FT-1 class percentage  
22 increase is equal to the TS class.

23 Again, you can see on line 13, using the Division's  
24 request on equity, that it also equals the same percentage as  
25 the TS class in both columns G and column J. Likewise, that is

1 illustrated on line 21, if we use the Office's proposed return.

2 And that is what the parties have agreed to as it  
3 relates to the TS class and the IS class and the FT-1 class for  
4 the cost of service.

5 The remaining revenue requirement increase will be  
6 spread to the GS, the FS, and the NGB classes, as illustrated  
7 here on Exhibit 3.

8 That moves us to when these rate schedules will be  
9 adjusted. And in paragraph 16, for 2014 only, we recognize that  
10 the results by the Commission's order in this case won't be  
11 effective until, essentially, March 1. That's actually past the  
12 period of time in which a customer would typically be  
13 determining whether or not they wanted to be a transportation  
14 customer, interruptible sales customer, or a GS customer for  
15 any given year.

16 And therefore, we have agreed, for purposes of  
17 settlement, to adjusting Section 2 of the Company's tariff, which  
18 relates to the GS class; Section 4.01, which relates to the IS  
19 class; and Section 5.01, which relates to the transportation  
20 class.

21 And we will be delaying the period of time in which  
22 they need to determine or give notice to the Company that they  
23 want to become a particular TS customer or IS customer until  
24 the end of March, so that would be March 30. And then they  
25 have until April 30 to actually execute a contract related to their

1 service for the coming year.

2 I think that completes the implementation of the  
3 cost of service as it relates to what the parties have agreed to in  
4 this settlement.

5 Moving to the next paragraph, paragraph 17,  
6 changing subjects, and we're talking about the infrastructure  
7 rate-adjustment mechanism. And the parties have agreed, for  
8 purposes of settlement, that this infrastructure rate-adjustment  
9 mechanism will continue as a pilot program, in paragraph 17.

10 In paragraph 18, the parties have agreed that  
11 intermediate high pressure related to belt lines may be included  
12 in the infrastructure rate-adjustment mechanism.

13 Paragraph 19 refers to Exhibit 4. And Exhibit 4 is  
14 identification of the criteria that is used for determining the need  
15 and timing of replacing high-pressure lines. It specifically lays  
16 out the risks, and risks are defined as threat times the  
17 consequences. And it lists the four threats that are identified  
18 out there, as well as the consequences related to those.

19 And then, finally, in that exhibit, in the third  
20 section, it recognizes that the scheduling for replacements are  
21 also influenced by other criteria besides the evaluation of the  
22 threats and consequences, those being the main determinants,  
23 but the replacement schedules can also be influenced by those  
24 things outlined in Section 3 related to customers' low growth,  
25 results of integrity assessment. Some regulatory things

1 permitting environmental are listed there also.

2 Paragraph 19 also identifies a similar document  
3 that will be used and is used for the replacement of the  
4 high-pressure belt lines, and that's found as Exhibit 5. Again, it  
5 lays out the risks that are identified as the threats and the  
6 consequences. They have different things that are being  
7 identified as it relates to the threats and consequences. And,  
8 again, in Section 3 of Exhibit 5 is summarized those other  
9 impacts that could influence the timing of replacement of an  
10 intermediate high-pressure belt line.

11 The parties wanted to agree to memorialize that  
12 criteria and provide that in--later on in this stipulation, you'll see  
13 how this will be provided to the Commission and the parties on  
14 an annual basis. And we recognize that this criteria is evolving,  
15 it may change. If it does, the Company will be providing  
16 information to the Commission, the Office, and the Division in  
17 an explanation of what has changed and why.

18 Paragraph 20 identifies what we've actually come to  
19 call our master list of the high-pressure feeder lines and was  
20 provided electronically. It would cover more than the table I am  
21 sitting at if you were to print it out and tape it all together, but it  
22 is a complete summary of all of the high-pressure lines from  
23 their vintage of 1929 to when they went in, the amount of  
24 footage that went in that year, the sizing of the pipe, all the way  
25 up through 2012, at the time we filed this.

1                   That, actually, would be updated also, we'll refer to  
2 that here in a minute, each year on an annual basis to show the  
3 vintages of pipes and the diameter, their sizes. And that's  
4 what's referred to and is illustrated here in Exhibit 6.

5                   Also, in paragraph 20, as identified in Exhibit 7, I  
6 should point out that Exhibit 7 and Exhibit 8 are referred to as  
7 confidential exhibits, but, again, identify that they are simply a  
8 summary of the current order, of which the Company plans to  
9 replace the high-pressure lines that were generally referred to  
10 as Exhibit 7. And Exhibit 8 is a similar summary related to the  
11 high-pressure belt lines.

12                   In paragraph 21, if you were to compare Exhibit 7  
13 with Exhibit 8, you would notice that Exhibit 7 has slightly more  
14 detail. The parties have agreed, for purposes of settlement,  
15 that the Company will provide an update of Exhibit 8 by April 30  
16 of this year, 2014, similar in level of detail to that which is  
17 shown in Exhibit 7, but Exhibit 8 will be for the intermediate  
18 high-pressure belt lines.

19                   The Company is in the process of putting that  
20 together. Our records were not summarized in a similar fashion  
21 as the high-pressure lines had been, and so we're in the  
22 process of doing that and will be providing that as part of this  
23 stipulation.

24                   Paragraph 22 refers to the reporting that I had been  
25 mentioning earlier, and the Company will continue to provide



1 reports. Paragraph 22(a) identifies that each year, in  
2 November, the Company will file a budget for both the high  
3 pressure and the intermediate high-pressure replacements for  
4 the coming year. Subparagraph (a) recognizes that there may  
5 be construction work in progress from a carryover from a  
6 previous year.

7           And that will not be counted in the total allowed  
8 level for the coming year, but it may come into service in the  
9 following year. And it also recognizes that the Company may  
10 seek Commission approval to exceed the budgeted level.

11           And we haven't got to that level yet, that's coming  
12 up in paragraph 24, but if the Company feels that it needs to go  
13 above that stipulated-to level, that we may seek approval from  
14 the Commission under those circumstances, and if allowed, can  
15 move forward with that.

16           Paragraph (b) refers to that each year, in April, we  
17 will be providing an update to the master list, which is Exhibit 6,  
18 for the high pressure, as well as any updates to Exhibit 7 and  
19 Exhibit 8 related to the high pressure, and the intermediate  
20 high-pressure belt lines, respectively. If there are material  
21 changes there, the Company will be providing an explanation of  
22 that during an April meeting that would be planned there.

23           The Company also agrees--not the Company, but  
24 the parties agree, in paragraph 22(c), that we will continue to  
25 file quarterly variance reports explaining differences in

1 expenditures as compared to the budget for that year.

2 Paragraph 23 has the parties agreeing, for  
3 purposes of settlement, that if there are any unscheduled--and  
4 that would be lines that are not identified in Exhibit 7 or Exhibit  
5 8--if the Company becomes aware of lines that we feel, based  
6 on our expertise and analysis, that need to be replaced that are  
7 not currently on these two schedules or exhibits, that we may  
8 seek for that approval to the Commission, but right now, we  
9 think this is the universe as far as what's needing to be  
10 replaced.

11 Paragraph 24 has the parties agreeing that the  
12 level of the infrastructure rate-adjustment mechanism will be at  
13 a \$65 million level going forward. Probably should explain here  
14 that in the past we have agreed that that was about a \$55  
15 million level. With the addition of the belt lines, that has been  
16 increased to 65 million, but we recognize that, in any given  
17 year, that relationship may change a little.

18 If there's a large project without mains that exceeds  
19 a \$10 million level, that level may go up to be a higher amount  
20 that year, that the high pressure, in turn, would need to go down  
21 because it is an identified cap of approximately 65 million that  
22 the parties are agreeing to.

23 We agreed further, in that paragraph, that the 65  
24 million will be adjusted by the gross domestic price deflator as  
25 identified by the global insights each year.

1 In paragraph 25, the parties agree, for purposes of  
2 settlement, that the tracking of the infrastructure replacement  
3 costs will not commence until the level of expenditures for that  
4 replacement structure has reached what is included in the test  
5 period upon which base rates are being set. That specifically  
6 identifies that the level of investment needs to reach \$84  
7 million. That \$84 million is made up of 62 million in 2013 and  
8 then an additional 22 million in 2014, as it relates to high  
9 pressure and intermediate high pressure.

10 The Company will track that information and at the  
11 time of our first filing will provide a reconciliation of that so that  
12 it can be reviewed and audited.

13 Finally, in paragraph 25, we recognize the Division  
14 is still in the process of conducting their 2013 audit of the  
15 infrastructure tracker and that there may be issues that result  
16 from that audit that could require a disallowance. And that if, in  
17 fact, that is discovered, that the resolution of those issues  
18 would take place in that docket at that time before this  
19 Commission.

20 Finally, in paragraph 26, the parties agree that  
21 Company will file its next general rate case on July 1 of 2016,  
22 and I'll look forward to that fine moment.

23 In between time, though, we're going to do a few  
24 things. One is, we'll be adjusting our model in paragraph 27 so  
25 that when we file we'll be providing revenue neutral percentage

1 changes to each of the different rate classes. And that will be  
2 part of our filing.

3 Paragraph 28 recognizes that on or before July 1 of  
4 this year, the parties agreeing to this stipulation, as well as  
5 others that may be interested, will commence a working group in  
6 which we'll be studying alternative IS and TS rate designs.  
7 We'll be looking at aggregation meters, looking into dividing of  
8 the IS and the TS classes.

9 We'll be looking, also, at difference of customers  
10 as far as their usage, high usage in the summer related to  
11 winter. And we'll also be looking at the firm sales customers  
12 and those factors, as well as other issues that may be brought  
13 up at that time, but those are ones that have been specifically  
14 identified and agreed to be analyzed and studied.

15 Paragraph 29 identifies that the parties have  
16 agreed that the depreciation costs, as it relates to in this case--I  
17 guess I should describe that during the processing in this case,  
18 the Company was able to receive its depreciation study, which,  
19 in previous Docket 07-057-13, the Company had been ordered  
20 to perform every five years. That five-year period was up here  
21 in 2013.

22 The Company completed that review and the  
23 parties were able to receive that information, albeit it was after  
24 the filing of this general rate case. And so the parties have  
25 agreed, for purposes of settlement in this case, that we would

1 take those costs as it relates to the depreciation and that study  
2 and we would file in a separate docket that study, which the  
3 Company has. And we actually had a scheduling hearing on  
4 that before this Commission, I think, on the 2nd of January,  
5 earlier this year.

6           The parties have agreed that the resulting impact  
7 related to rates for those customers that may get approved by  
8 the review and approval of the depreciation study will go into  
9 effect following the completion of that case upon what the  
10 Commission ordered, but they will be adjusted as the parties  
11 have agreed to, this is key here, by the cost of service as we've  
12 agreed to in this case, and the rate design as we've agreed to in  
13 this case, based on the test period in this case.

14           So it's us essentially recognizing that a particular  
15 cost we haven't quite been able to get all our hands around, but  
16 yet we know the test period, what it ought to be related to, we  
17 know how we want it to be spread related to cost of service, we  
18 know how we want it to be designed for customers. We want  
19 that information that we've all agreed to here to be implemented  
20 upon just the approval of what that level of cost ought to be, but  
21 we recognize parties need sufficient time to recognize and  
22 agree to what those costs may or may not be.

23           That moves us to paragraph 30, which is the basic  
24 service fee. The parties have agreed to the proposed  
25 categories, as set forth by the Company. And those categories

1 will receive a \$6.75 charge for Category 1, \$8.25 for Category 2,  
2 \$63.50 for Category 3, and 420.25 for Category 4.

3 As it relates to rate design, the parties have agreed  
4 to, in paragraph 31, that for the general service class and for  
5 the firm sales class, the results coming from what we've agreed  
6 to in the cost of service, which has us having that impact of the  
7 TS class, the IS class, and the FT-1 class related to a 60  
8 percent level and a 72 percent level, that--when those levels of  
9 costs are implemented for those three classes, they will impact  
10 the GS class and the FS class.

11 What that resulting impact ends up being will have  
12 a rate design such that, under block 1 of the GS class, there will  
13 be a \$1 difference between the first block and the second block  
14 in the designing of rates. And for the FS class, there will be a  
15 38 cent difference between block 1 and block 2, and there will  
16 be a 40 cent difference between block 2 and block 3 for our rate  
17 design purposes.

18 For the TS class for rate design, the parties have  
19 agreed to the following, and that is the administrative charge  
20 will continue unchanged. The proposed blocking for the TS  
21 class that the Company set forth will be accepted by the parties.

22 In paragraph (c) of 32, the parties agreed that the  
23 basic service fees, as agreed to in paragraph 30, will be  
24 implemented for that class.

25 Then in paragraph (d), the parties have agreed that

1 the remaining costs for that class will be spread or assigned as  
2 follows: We will take that total amount and we will also take the  
3 sum of what is collected in the demand charge of the current  
4 revenues and the volumetric charge in the current revenues.  
5 Whatever the dollar amount is left that we have not collected  
6 already in the admin charges and the basic service fee will be  
7 divided by the volumetric revenue, as well as the demand  
8 revenue, as it currently is.

9           You're going to come up with a percentage. Once  
10 you come up with that percentage, okay, and that percentage is  
11 going to be the same--it's a total percentage. Once you come  
12 up with that percentage, you will apply that percentage to the  
13 demand charge. The current demand charge is \$20.59. That will  
14 result in a given level of revenue that is anticipated to be  
15 collected from this class using the demand charge.

16           Now, the amount of revenue that's left we need to  
17 collect in the volumetric. The way the parties have agreed to, to  
18 spread it in the volumetric charge, is simply to take the current  
19 proposed volumetric categories as proposed by the Company at  
20 the proposed level of cost that the Company had requested.  
21 And we will reduce those volumetric revenues in the different  
22 blocks, such that the Company collects using those--I think we  
23 have four different blocks in that class. We will reduce it down  
24 based on the relationship to the volumes that we're getting from  
25 each of those blocks so that we collect the remaining revenue.

1                   That's taking the demand, and we're coming at it  
2 from one direction and we're taking the volumetric and we're  
3 coming at it from a different direction, but it will end up having  
4 the percentage that we collect from the demand portion and the  
5 volumetric portion being equal. We just come at it from two  
6 different directions, because we wanted to keep the relationship  
7 of the volumetric blocks consistent with what the Company had  
8 proposed.

9                   Moving to paragraph 33, the parties have agreed,  
10 for purposes of settlement, for the FT-1 class, that 50 percent of  
11 what the demand charge ends up being for the TS class will be  
12 what's used for the FT-1 class. So whatever that level ends up  
13 being, say it's--we'll estimate here it could be like \$25. If it's  
14 \$25 for the TS class, it would be \$12.50 for the FT-1 class, as  
15 agreed to in paragraph 33(a).

16                   The parties then recognize that the blocks related  
17 to the FT-1 volumetric will--that the remaining revenue that  
18 needs to be collected from the FT-1 class will be collected in  
19 the volumetric rates as proposed by the Company, again,  
20 reducing those volumetric rates down to collect only what is left  
21 and needed to be collected from them based on what the cost of  
22 service has produced from the previous paragraphs that the  
23 parties have agreed to.

24                   The parties also agree in paragraph (c), paragraph  
25 33, that the FT-1 customer may sign up and purchase



1 interruptible service under the TS rate schedule, if they desire.

2 Finally, for rate design, in paragraph 34, it is  
3 agreed, for the IS class, that rates will be designed such that  
4 whatever results from their cost of service, that 87 percent of  
5 that cost will be collected in the first block; 12.79, almost 12.8  
6 percent, will be designed to be collected at the second block;  
7 and .068 percent will be designed to be collected in the third  
8 block.

9 Again, that relationship will hold true when we  
10 implement the 60 percent scenario for that class, as well as the  
11 72 percent scenario that's anticipated in 2015.

12 Finally, it's my testimony that we think the result of  
13 all of this is in the public interest and produces just and  
14 reasonable rates. I don't think I'll walk through the remainder of  
15 the paragraphs, with the exception of I do think I'd like to point  
16 out what is agreed to in paragraph 42 and that we are under the  
17 understanding the signing parties to the stipulation--that there  
18 are no parties that oppose this stipulation, even though they  
19 may have chosen not to sign the stipulation.

20 BY MS. CLARK:

21 Q. Mr. McKay, can I ask one clarifying question? I'd  
22 like to turn your attention back to paragraph 30.

23 A. I was sensing that we were going to need to do  
24 that.

25 Q. It's on page 14 of the settlement stipulation, the

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basic service fees?

A. Yes.

Q. Could you just reiterate for the Commission the Category 2 basic service fee?

A. Category 2 was identified to be \$18.25.

Q. Thank you.

A. Did I say something different? If I did, I apologize.

MS. CLARK: Mr. McKay is available, I believe, for any questions you may have.

THE HEARING OFFICER: Is there any cross-examination for Mr. McKay?

What we'd like to do is hear from other witnesses who support the stipulation. And then if there are questions from the Commission, we'll address them to the supporting witnesses as a panel.

Mr. Jetter?

MR. JETTER: Thank you. The Division would like to swear in Dr. Powell.

THE HEARING OFFICER: Please raise your right hand.

ARTIE POWELL, called as a witness for and on behalf of the Division of Public Utilities, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY-MR.JETTER:

1 Q. Would you please state your name, occupation, and  
2 place of business for the record.

3 A. My name is Artie Powell, P-O-W-E-L-L. I'm the  
4 manager of the energy section for the Division of Public  
5 Utilities, and our offices are here in the Heber Wells Building in  
6 Salt Lake.

7 Q. And have you prepared a brief statement for the  
8 Commission today?

9 A. Yes, I have, but I did avoid using the word "brief,"  
10 but--

11 Q. Thank you. Would you please go ahead.

12 A. Okay. Good morning. I want to thank you,  
13 Commissioners, for the opportunity to offer a brief--maybe not a  
14 brief statement, a summary statement in support of the  
15 settlement this morning.

16 Mr. McKay has covered the partial stipulation on  
17 revenue requirement and rate spread and design in quite a bit of  
18 detail, so I'll try to limit my remarks to some major components  
19 of the stipulation and why the Division supports the stipulation  
20 as being in the public interest.

21 I would also note that I will be addressing remarks  
22 to depreciation and WACOG issues, that have been identified at  
23 the appropriate time.

24 The Division's objective in approaching this case  
25 have guided the Division's positions and testimony and in

1 settlement discussions. These objectives, at least in part, were  
2 to move each class to full cost of service to allow the Company  
3 a reasonable opportunity to recover prudent costs, to support a  
4 fair rate spread and a reasonable rate design, and construct a  
5 well-defined feeder line replacement program.

6 While the partial stipulation does not achieve, in  
7 the Division's view at least, a full cost of service for each rate  
8 case, the partial stipulation does represent a reasonable  
9 compromise of the issues and our objectives.

10 With respect to the revenue requirement and rate  
11 design, in my mind, this rate case is largely about rate impacts  
12 or bill impacts. In its application, the Company requests an  
13 increase in revenue requirement of approximately \$19 million  
14 and proposes several changes in rate structures that some in  
15 this case have characterized as excessive.

16 In the Division's view, several provisions in the  
17 partial stipulation address and mitigate these and many other  
18 issues raised by the Division and the other parties.

19 First, the settlement limits the increase in the  
20 revenue requirement at an amount much less than that initially  
21 requested by the Company and is largely consistent with the  
22 Division's filed case. As shown in Exhibit 1, prior to any  
23 adjustments and the return on equity, the revenue requirement  
24 increase is approximately \$11.8 million, or about \$7 million less  
25 than that initially requested by the Company.

1 That final revenue requirement increase, of course,  
2 will depend on the rate of return that the Commission sets in  
3 this case.

4 Second, the stipulated rate spread limits the  
5 revenue requirement increase for those classes where the  
6 Company's proposed rate increases were relatively large. In  
7 particular, the IS and TS class. Details of the rate spread are  
8 shown in the settlement model, which is provided in Exhibit 2.

9 While the Division does not believe that this is the  
10 appropriate way to determine cost of service, it does help  
11 mitigate the relatively large rate impact for these classes while  
12 having relatively minor impacts on the remaining classes.

13 Third, the partial stipulation provides for a two-step  
14 increase, further mitigating potential rate increase for the IS and  
15 TS classes. These steps are detailed in Exhibit 3, as Mr. McKay  
16 went over in his summary of the stipulation.

17 Combine these provisions, as well as others, on  
18 rate design provisions in the partial settlement, represent, in the  
19 Division's view, a reasonable settlement of the revenue and cost  
20 of service issues and are in the public interest.

21 Let me turn my attention for just a couple of  
22 minutes to the infrastructure pilot program. Paragraph 17  
23 through 25 of the stipulation and Exhibits 4 through 8 deal with  
24 the details of the pilot program, as Mr. McKay outlined.

25 Based on the terms and conditions detailed in

1 these paragraphs and exhibits, the Division recommends  
2 continuation of the program with the inclusion of the  
3 intermediate high-  
4 pressure lines as being in the public interest. I would note that,  
5 in testimony, the Division argues that the boundaries of the  
6 current program are not well-defined.

7           For example, the Division argued that in its view  
8 the program and practice operated differently than was  
9 anticipated, and recommended that to continue, the program's  
10 boundaries would need detailed refinement.

11           We believe that the details in the stipulation have  
12 addressed the Division's concerns in this matter. For example,  
13 in Exhibits 4 and 5--specify or identify the high-pressure and  
14 intermediate lines for replacement. As Mr. McKay said, those  
15 will be updated periodically if things change.

16           Exhibit 6 provides a detailed master list of all  
17 high-pressure feeder lines. And I would like to comment and  
18 commend the Company's engineers and their regulatory people  
19 for working diligently with the Division and other parties  
20 throughout this case to refine this exhibit, as well as the other  
21 exhibits provided in the stipulation, and for the definitions in the  
22 outline, the program.

23           Finally, Exhibit 8 indicates that the planned  
24 intermediate high-pressure line scheduled for replacement in  
25 2014, as Mr. McKay explained, the Company agrees to augment

1 this exhibit by April, giving more detail similar to the  
2 high-pressure lines in Exhibit 7.

3 The Company has agreed to continue its reporting  
4 and to augment its reporting as outlined in the stipulation. And,  
5 again, the Division believes that the clarity and the  
6 improvements represented in the exhibits and in the stipulation  
7 have addressed the Division's concerns that we raised with  
8 respect to the infrastructure replacement program or  
9 mechanism. And we do recommend its continuation.

10 In summary, then, the Division supports the  
11 stipulation as being in the public interest. And that will  
12 conclude my summary at this time.

13 THE HEARING OFFICER: Thank you, Dr. Powell.

14 Cross-examination for Dr. Powell?

15 Is there anything further, Mr. Jetter?

16 MR. JETTER: No. Thank you.

17 THE HEARING OFFICER: Mr. Coleman?

18 MR. COLEMAN: The Office would have Ms. Beck  
19 sworn as its next witness.

20 MICHELE BECK, called as a witness for and on  
21 behalf of the Office of Consumer Services, being first duly  
22 sworn, was examined and testified as follows:

23 THE HEARING OFFICER: Thank you. Please be  
24 seated.

25 .

1 DIRECT EXAMINATION

2 BY-MR. COLEMAN:

3 Q. Would you please state your name, business title,  
4 and address for the record.

5 A. Yes. My name is Michele Beck. I'm the director of  
6 the Office of Consumer Services. We're located here in the  
7 Heber Wells Building at 160 East 300 South, Salt Lake City,  
8 Utah.

9 Q. Do you have a summary position of the Office with  
10 respect to the settlement today?

11 A. Yes, I do.

12 The Office conducted a full review of the revenue  
13 requirements proposed spread among customer classes and rate  
14 design for the GS class. We conducted this review from the  
15 perspective of the residential and small commercial customers  
16 on whose behalf we have statutory authority to advocate.

17 I'm here today to provide a brief statement of  
18 support for the settlement stipulation.

19 First, I'd like to speak to the revenue requirements.  
20 The Office believes that the adjustments to the revenue  
21 requirement presented in the settlement results in a revenue  
22 requirement that is in the range of reasonableness, with the  
23 acknowledgement that we are leaving the ROE for Commission  
24 determination.

25 I note that our direct testimony contained additional



1 adjustments. During the course of settlement discussions, the  
2 Company provided additional evidence and explanation that  
3 largely bridged the gap between our positions. Ultimately, the  
4 Office's surrebuttal position would likely have been very close to  
5 this settled number.

6 Next, I'd like to speak specifically to the rate  
7 spread proposal presented in this settlement. This proposal  
8 brings the IS and the TS rate classes to just over halfway to  
9 what the Office's view is would be a full cost-of-service rate.

10 I note that the parties have differing views on how  
11 to calculate the full cost-of-service rate, so the percentage  
12 movement is seen different by different parties. This is part of  
13 the reason why that cost of service motto, which has been  
14 attached, is not intended to be precedential.

15 From the Office's perspective, this movement  
16 toward cost of service is significant and it represents a good  
17 outcome for the case.

18 I'd also like to make a couple of comments  
19 regarding the two-step nature of this spread proposal. The  
20 Commission may have noted that the GS and FS rates are  
21 increased in the first step and then decreased slightly in the  
22 second step. This is a consequence of implementing the rate  
23 increase in such a way as to accomplish gradualism for the IS,  
24 TS, and FT-1 classes.

25 The Office's assessment is that these rate changes

1 are at a small enough range as to be quite tolerable and are  
2 reasonable. While many customers value rate stability, these  
3 changes are certainly in the change of variability that are often  
4 seen from changes to the passthrough and other rate  
5 mechanisms.

6 Finally, I'd like to make a specific note of the  
7 change to the basic service fee for the meter Category 1. This  
8 basic service fee substantially resolves previous concerns about  
9 intraclass subsidies from larger GS customers to smaller GS  
10 customers.

11 This basic service fee also stays within the bounds  
12 of what the Office views are appropriate cost elements to be  
13 included in a basic service fee. The Office has reviewed and  
14 supports all of the remaining terms of the settlement, although  
15 we do not take an active position on the FS or IS rate design.

16 I'm also prepared to address depreciation at the  
17 appropriate time.

18 In summary, the Office supports this settlement as  
19 being in the public interest and resulting in just and reasonable  
20 rates. Accordingly, we request that the Commission approve the  
21 stipulation.

22 MR. COLEMAN: Ms. Beck will be available for  
23 cross-examination.

24 THE HEARING OFFICER: Is there any  
25 cross-examination for Ms. Beck?

1                    Would you address depreciation now, if you're  
2 referring to the item raised in the third order modifying  
3 scheduling order?

4                    THE WITNESS: Sure.

5                    So from the Office's perspective, we agreed, in this  
6 case, to implement the depreciation change after the initial rate  
7 changes are implemented, because we know that the overall  
8 dollar amount at issue is relatively limited.

9                    Further, the change will take place in very close  
10 time period to the complete examination of all cost and offsets.  
11 And it is not the Office's position that agreeing to this will set  
12 any kind of precedence for allowing depreciation rate changes  
13 outside of a general rate case.

14                   So from an analytical perspective, we thought that  
15 it would be better to have depreciation match so that the  
16 appropriate customers are paying the appropriate rates.  
17 Typically, changes in depreciation are just shifting costs in time.  
18 And so the benefits of having the appropriate customers pay  
19 outweigh any concerns we might have about single-item  
20 ratemaking. And thus, we figure, for this settlement purpose,  
21 under the specific facts and circumstances before the  
22 Commission today, we are prepared to agree to this.

23                   We do note that in future cases where the  
24 depreciation study comes in close time proximity to when the  
25 rate case is to be filed, we think it should be incumbent on the

1 Company to better plan that.

2 THE HEARING OFFICER: Thank you, Ms. Beck.

3 Is there any other testimony to be offered, either in  
4 support of or in opposition to the partial settlement stipulation of  
5 December 13?

6 MR. DODGE: Commissioner, UAE and U.S.  
7 Magnesium both signed and support the stipulation. We have  
8 witnesses in the room who filed testimony in the docket that  
9 would be prepared to answer questions, but unless they wave at  
10 me and say they want to say something, I won't make them  
11 come up.

12 It looks like we'll submit. So if you have questions,  
13 please let us know and we'd be happy to have any of Mr.  
14 Townsend, Mr. Higgins, or Mr. Swenson answer those questions.

15 THE HEARING OFFICER: Thank you. Anything  
16 else?

17 Mr. Evans?

18 MR. EVANS: Thank you, Commissioner Clark.

19 The IGU does not have a witness in the proceeding.  
20 We intervened at the last possible moment, I think, as the  
21 Commission might be aware. We did no discovery, we filed no  
22 testimony. We got into this case just in time to take advantage  
23 of the parties' hard work in almost reaching a settlement, so--  
24 but I would like to put a comment in the record, if you don't  
25 mind, about some things that Mr. McKay might have skipped

1 over.

2 And that is the provisions in the general section of  
3 the stipulation that begin at 35. It goes without saying, I think,  
4 in any stipulation, that not all parties agree with all terms of the  
5 stipulation.

6 And we heard Mr. McKay refer specifically to  
7 paragraph 14, which says not all parties agree that the  
8 stipulation cost-of-service model has any precedential value.  
9 The same could be said--in fact, the same is true with every  
10 section of this stipulation. And that is made so by paragraph  
11 37, which is the general nonprecedent clause, which also  
12 provides explicitly that no party, by signing this stipulation,  
13 admits or acknowledges the validity or invalidity of any principle  
14 or practice of ratemaking.

15 So the stipulation, like many settlements, is a result  
16 that everybody can live with and yet remain in disagreement  
17 about the constituent parts of it.

18 We are able to agree that the stipulation, as a  
19 whole, is in the public interest and results in just and  
20 reasonable rates, but we expressly reserve the right to come  
21 back in the next case or the next proceeding and fight about  
22 those disagreements on any particular aspect of the stipulation.

23 And inasmuch as that paragraph wasn't expressly  
24 summarized by Mr. McKay, I submit that that is our position,  
25 that the no precedent means parties are free to argue whatever

1 they want in subsequent proceedings. Thank you.

2 And this may be all I have to say about this  
3 because our participation has been so minimal. Mr. Xenopoulos  
4 asked if he might be excused. I would request, also, that when  
5 the Commission begins the examination of witnesses, that I be  
6 excused for the remainder of the proceeding. Thank you.

7 THE HEARING OFFICER: Thank you, Mr. Evans.  
8 You're certainly at liberty to exercise your discretion in that  
9 regard.

10 Anything further before Commissioner questions on  
11 this particular settlement stipulation?

12 Then let's be in recess until 20 to 11:00. Thank  
13 you.

14 (A recess was taken.)

15 THE HEARING OFFICER: We'll be on the record.  
16 Chairman Allen is going to begin with questions from the  
17 Commission.

18 CHAIRMAN ALLEN: Thank you, Commissioner  
19 Clark.

20 Just before we left, Ms. Beck from the Office  
21 broached the subject of depreciation and where we're headed  
22 with that. And I know it was mentioned a little bit earlier also.  
23 I'm curious to as to the Division.

24 Mr. Powell, do you have a view on how this  
25 depreciation will work going forward?

1                   And after you, perhaps Mr. McKay might want to  
2                   add anything he has.

3                   MR. POWELL: Yeah, I would agree with what Ms.  
4                   Beck said earlier. To me, I don't want to muddle up too much  
5                   the accounting issues. I'm not an accountant, but the way I  
6                   understand depreciation is when depreciation rates change,  
7                   then there is a true up. The Company goes back and applies  
8                   those depreciation rates, the new ones, as if they'd always  
9                   existed. And then those are compared to the current  
10                  depreciation rates, which result in a variance.

11                  That variance, then, is amortized over a specified  
12                  period of time. It could be the remaining life of the plant. If the  
13                  new depreciation rates are not implemented, if they're delayed,  
14                  say, for two years, then that just means that total amount will be  
15                  amortized over a shorter period of time, and then that means  
16                  there's a larger rate impact than otherwise would exist.

17                  The Division supports the idea that depreciation  
18                  rates should be implemented as soon as practical after the  
19                  Commission makes a decision.

20                  It has been suggested--I won't pretend that I'm a  
21                  lawyer, but if there is a concern on a single item rate case, then  
22                  since the timing is so close here between the rate case and  
23                  when we anticipate the decision coming from the Commission,  
24                  the Commission may want to adopt the testimony from this  
25                  particular docket or take administrative notice of all of the

1 testimony in this case. I think Ms. Beck talked a little bit about  
2 the timing was close enough that we would be comfortable with  
3 that. Thank you.

4 THE HEARING OFFICER: Thank you.

5 Mr. McKay?

6 MR. McKAY: I think Dr. Powell and Ms. Beck have  
7 fairly summarized what I attempted to do earlier in our approach  
8 on this paragraph 29, as it relates to the stipulation. And I think  
9 Dr. Powell's summary, the recognition of how depreciation would  
10 change, either currently or drag it into the future, is a good  
11 summary, some of the reasoning that we went through as  
12 parties to agree to this paragraph 29.

13 CHAIRMAN ALLEN: So mechanically, the  
14 mechanics of it going forward, once its completed, will we get a  
15 new tariff sheet filing going forward?

16 MR. McKAY: Good question. That's what would be  
17 anticipated is that the--let's suppose, for illustration purposes,  
18 that a total revenue requirement amount of, say, \$2 million  
19 would be an adder to what has been approved in this docket,  
20 then that depreciation would, in fact, impact all of the rate  
21 schedules that we have from general service all the way through  
22 natural gas vehicle rates.

23 And we would need to--following the approval on  
24 that docket, need to file tariff sheets that would have those--that  
25 \$2 million be spread to the different classes, according to how



1 we have agreed to in this docket, as far as the cost of service.  
2 And then we would need to design rates also such that they are  
3 consistent with what we've agreed to in this docket, ultimately  
4 resulting in what we've just referred to in a new tariff sheet that  
5 would go into effect upon the Commission order in that docket.

6 CHAIRMAN ALLEN: Okay. Great. Thank you.

7 Does anyone else have anything?

8 Okay. Great. I have a couple of other questions,  
9 then.

10 In paragraph 13, we have new qualifying criteria for  
11 the FT-1 customers. And do you know how many customers are  
12 going to be moved off that schedule if that takes place? Do you  
13 have any idea?

14 MR. McKAY: Yes, we do. There's five. There  
15 would be three remaining.

16 CHAIRMAN ALLEN: Three remaining. Okay.  
17 Great, because I knew it was a small number of customers.

18 My next question, you may recognize a theme, and  
19 that is in paragraph 22, you mention that you'll be filing the rate  
20 adjustment, infrastructure rate adjustment.

21 And, again, filing with the Commission, will we get  
22 updated tariff sheets? Sometimes we've had courtesy copies in  
23 the past, but is it your intent to start making those more formal?

24 MR. McKAY: As it relates to paragraph 22, the  
25 filings that are anticipated and that we're referring to in

1 November, that filing is with the Commission. And as I look at it  
2 here, it doesn't call that specifically out, but for clarification  
3 purposes, that is a requirement currently in our tariff on the 15th  
4 of November that we will file with the Commission, the budget  
5 for the next year that is being identified in paragraph (a).

6 Then for clarification purposes, the information that  
7 is being referred to in paragraph 22(b) and 22(c), we will be  
8 having what we anticipate is a meeting that we would notice up  
9 that--well, the Commission staff, as well as the Division and  
10 Office could attend. And we will be providing that information to  
11 the Commission, as well as to the Division and the Office at that  
12 time. And then in paragraph 22(c), we'll be filing quarterly  
13 variance reports. Again, the Commission will be provided that  
14 information.

15 CHAIRMAN ALLEN: Okay. Great. That's helpful.

16 I note when I look at Exhibit 3, and I'm looking at  
17 the spreadsheet, that the discussion of the natural gas vehicle,  
18 the NGV rate, didn't require as much attention this time as it did  
19 some time ago.

20 And I'm just wondering, how close are we bringing  
21 that to cost of service? We've had those discussions before.

22 MR. McKAY: The Company's initial position was to  
23 bring that to full cost of service. And I think the resulting impact  
24 from the settlement would essentially bring them there. I mean  
25 I'm a little hesitant in saying that we haven't under these

1 different scenarios, nor have we with the Commission's final  
2 approval of whatever the determined equity ends up being, but it  
3 would be anticipated that there is not any special adjustment  
4 that's being made to that class that reduces their full cost of  
5 service.

6 I guess there's actually a possibility, depending on  
7 how much they share of the costs from these other classes, that  
8 could be characterized as them actually paying more than what  
9 their cost of service would be, but it's identified just to let them  
10 flow through as the settlement model produces the results.

11 THE HEARING OFFICER: Okay. Is it fair to say  
12 they're a lot closer in cost of service than they were just three  
13 years ago when we had this discussion?

14 MR. McKAY: Yes, they are.

15 THE HEARING OFFICER: Okay. Great.

16 MS. BECK: Mr. Chairman, could I respond to that?

17 THE HEARING OFFICER: Absolutely.

18 MS. BECK: So as I earlier testified, we did the  
19 evaluation of the change in spread based on our proposed  
20 model, which was very close to what the Company's originally  
21 proposed model was. So we could say, okay, it's X percent in  
22 what we filed to you, but, for example, I testified earlier for IS  
23 and TS was slightly over 50 percent. In our evaluation, NGV is  
24 at a very close, if not full, cost of service, in the above 95  
25 percent of cost of service range. So I think, you know, with

1 rounding, we could really call it full cost of service.

2 CHAIRMAN ALLEN: Okay. Thank you. That's  
3 good to know. That's very helpful.

4 When we talk about cost of service and the study  
5 that's coming up, I think in the past the Commission has kind of  
6 made it clear that we're not fond of surprises.

7 Does the Company have a plan or have the parties  
8 discussed how we can let customers know earlier or beforehand  
9 that they may not be at cost of service and in the future they  
10 may be adjusted to cost of service? Have you discussed what  
11 we can do to make certain that people aren't caught off guard,  
12 especially large customers?

13 MR. McKAY: We certainly have discussed that in  
14 our settlement discussions. I don't know if there was--there  
15 certainly isn't anything called out here that we are doing to  
16 notify them what may come out of what is anticipated to be  
17 studied in 28, that's paragraph 28.

18 That said, we are inviting all, to our knowledge at  
19 this time, that have interest in the very concern that you're  
20 putting forth and would hope that following our analysis here  
21 that they would be aware of--in fact, the Company will be very  
22 forthright--we anticipate we'd be very forthright in our analysis  
23 of what we think our intentions would be.

24 Having been involved with the cost of service  
25 analysis for many years now, we don't know if there's going to

1 be a result that everyone agrees to at the end, but I will say, for  
2 having been involved with this now for over a decade, that the  
3 parties are getting to know what everybody's position is a whole  
4 lot more. And I think that they'll know, based on that, what our,  
5 meaning the Company's, perspective is.

6 The Division's been very clear recently, as well as  
7 the Office has, as well as the transportation--if I can pull them  
8 out as a class that has had a lot of passion on how cost of  
9 service should be assigned. We're knowing where their  
10 positions are.

11 I think there's agreement to try to study to see if we  
12 can have a transition that may be split between breaking out a  
13 class, maybe we can't, but we are going to have people be  
14 aware of it.

15 That was a long way of saying I hope that we've  
16 invited everybody to the party, if I could say that analysis of  
17 being a party, that is aware of it that would be interested in that.  
18 And then we will be filing on the 1st of July of 2016 and would  
19 hopefully have everybody be aware, coming out of that study,  
20 where we anticipate to be going, from the Company's  
21 perspective.

22 CHAIRMAN ALLEN: Okay. It sounds like you have  
23 a high degree of awareness on how that can be problematic if  
24 people are surprised. Okay. Thank you.

25 That's the end of my questions.

1 THE HEARING OFFICER: Commissioner LeVar?

2 COMMISSIONER LEVAR: I haven't got anything  
3 else.

4 THE HEARING OFFICER: Thank you.

5 I want to begin by commending the parties in the  
6 obvious level of effort that's been involved in not only  
7 negotiating, but documenting such a detailed set of agreements.  
8 And we appreciate very much the--I, personally, appreciate the  
9 amount of effort involved and the testimony that we've received  
10 today in support of this partial settlement stipulation.

11 I have just a couple of questions.

12 Probably, Mr. McKay, this first one would be for  
13 you, although I'd welcome any comments from others.

14 Regarding the pipeline integrity management  
15 program deferred account, I have been unable to determine that  
16 that entry is discretely reported in the Company's reports to the  
17 Commission. And, again, that's the pipeline integrity  
18 management program deferred account.

19 As far as I know, it's present in some other  
20 account, commingled with some other account or something like  
21 that.

22 Do you know whether or not that's true? Are we  
23 missing this particular item of data? If we're not, is it possible  
24 that that could be provided as a discrete item in the Company's  
25 reports?

1 MR. McKAY: For clarity purposes, let's make sure  
2 that I understand your question. I'm thinking that you're  
3 referring to the one--one, the deferred account.

4 THE HEARING OFFICER: Right.

5 MR. McKAY: Okay. So right there, that means it's  
6 an expense account and it's the pipeline integrity. When you're  
7 saying "pipeline," we have a pipeline integrity, that's kind of a  
8 summary level. Within that pipeline integrity program, we have  
9 two distinct functions. One's for the transmission level, which is  
10 the transmission integrity management program, and the other's  
11 for the distribution integrity management program.

12 We have a given level of expense that we have  
13 identified to incur in a given year, but by previous Commission  
14 order, we, quote, defer those costs if they are incurred at a level  
15 that is greater than what's approved.

16 Likewise, if it's at a smaller level, that also impacts  
17 that balance. That's the specific account, which has not been  
18 referred to by stipulation or anything here today. We do record  
19 that and it is in our accounting system. To my knowledge, we  
20 do not report on a monthly basis, or even on an annual basis,  
21 what amounts have been charged into that account.

22 It is readily reviewed and can be seen by a  
23 particular party. The Division, they came to do a review, but we  
24 have not been reporting that, and that's something the  
25 Commission desires. We can easily do that going forward.

1 THE HEARING OFFICER: I'd find that helpful, and  
2 the pipeline level would be adequate.

3 MR. McKAY: Okay. We'll move forward. I want to  
4 make sure we communicate with your staff exactly what you're  
5 looking for, but just for clarification purposes, the infrastructure  
6 tracker mechanism is relating to the costs associated with the  
7 capital investment.

8 The pipeline integrity one are ongoing expenses  
9 that we incur each year, and we are reporting on the  
10 infrastructure tracker the expense side of this equation, if there  
11 is one. We, obviously, have been doing and we have been  
12 recording, but we have not been reporting that and we can do  
13 that.

14 THE HEARING OFFICER: Thank you.

15 Now a question about Article 7.0, you might want to  
16 have that in front of you, of the partial settlement stipulation.  
17 This relates to the adjustment to the intercompany return.

18 I appreciate the additional detail that you provided  
19 for us on this. And I don't want anyone to read anything into my  
20 question, but here's the question: If the Commission adopts an  
21 ROE that is different than any of those that have been proposed  
22 to us specifically, how would the Commission identify the  
23 appropriate change that would need to be made in the model?  
24 Is there a worksheet you can provide us or is there a path  
25 through this?



1 MR. McKAY: Yes. And actually, I'm glad you  
2 asked that question, because I do think that all the parties might  
3 recognize that if the Commission orders a different revenue--  
4 sorry, return on equity, than what has been illustrated here, that  
5 it would, quote, flow through the model accordingly.

6 There is, within the model that has been provided  
7 as Exhibit 2, a calculation related to this adjustment, and it is in  
8 that model. And when a different return on equity is put into  
9 that model, this adjustment automatically calculates accordingly.

10 THE HEARING OFFICER: Thank you.

11 And now, regarding Article 17, the infrastructure  
12 rate adjustment mechanism pilot program, at least the--that item  
13 begins at Article 17, it goes on for a number of paragraphs. I'd  
14 like Mr. McKay to address this question to you, but I'd welcome  
15 comment from Dr. Powell and Ms. Beck as well.

16 A specific level of--or a maximum specific level of  
17 funding is identified particularly in Article 24. And I'd like you to  
18 comment on your comfort with that dollar level and its adequacy  
19 in relation to the safety of the operations of the Company's  
20 facilities.

21 Is it adequate to assure that enough replacement is  
22 occurring so that we're continuing to have the integrity that we  
23 need in the system, the safety that we need?

24 MR. McKAY: Actually, thank you for that question.  
25 That is at the heart, I think, of where the Company begins and

1 starts its approach on this issue. And we, in the past, had felt  
2 that a level of around 55 million answered your question  
3 affirmatively.

4 Based on our completion of the Federal  
5 requirements related to our transmission integrity management  
6 program and distribution integrity management program, we felt  
7 the need to increase that level at least by \$10 million, up to the  
8 current level of 65.

9 We do feel, at this time, that that's a good level.  
10 You have seen here in this stipulation that if we saw a need that  
11 in any given year we felt for safety purposes and reliability  
12 purposes for our customers that we needed to exceed that level,  
13 granted it's being adjusted for some inflation factor, but if we  
14 needed to exceed that level, that we have the opportunity to  
15 approach this Commission and petition this Commission for a  
16 given year, as needed, to increase that.

17 And that's something we very much felt like we  
18 needed, recognizing that our system changes, the customer  
19 growth pattern changes, our loads change, and our continued  
20 review of the existing pipe changes.

21 We still feel confident that the pipe that is currently  
22 in service, that has even been identified to need to be replaced  
23 in the coming years, is providing safe service today. It's  
24 nearing its end of duty, if you will, its tour of duty, and we need  
25 to have a systematic approach going about and replacing that.

1 We think this program, that has been supported by  
2 all parties, provides that, but recognizing that things could  
3 change, we felt strong that we needed that opportunity to  
4 petition the Commission for a specific change that may be  
5 greater than that and feel good about what this stipulation has  
6 provided.

7 THE HEARING OFFICER: Thank you.

8 Dr. Powell?

9 MR. POWELL: Just a few comments. I think Mr.  
10 McKay summarized it fairly well. Let me just add that when the  
11 infrastructure pilot program was first initiated, we started with  
12 the \$55 million. We were using a still index from global insights  
13 to inflate that from year to year.

14 Over approximately three years, that had grown to  
15 about \$67 million, just for the high-pressure piece that we were  
16 doing prior to this case, or prior to this stipulation.

17 And so the \$65 million, that's the first point, is not  
18 that much different than what we were anticipating, anyway, as  
19 a total amount, slightly less.

20 In reviewing the infrastructure tracker mechanism  
21 as part of the rate case, we recognize that the Company was  
22 spending, just for high pressure, considerably less than the \$67  
23 million. And so I agree with what Mr. McKay is saying. The  
24 indication for the Division is that including the intermediate high  
25 pressure and moving that level to \$65 million appears to be an

1 adequate amount at this time.

2           Again, as Mr. McKay pointed out, that can be  
3 reviewed as the Company sees fit, if they need to petition the  
4 Commission to go beyond the cap. And also, the budget cap  
5 will be reset in each general rate case. So, again, we'll look at  
6 that history of actual expenditures and reset that base amount  
7 again and then use an index in between rate cases to allow that  
8 cap to move with inflation.

9           THE HEARING OFFICER: Thank you, Dr. Powell.  
10           Ms. Beck?

11           MS. BECK: So I'd like to respond in a slightly  
12 different manner as well. And that is, we, the Office, believes  
13 that we do support the 65 million and we think it is a planned  
14 and predictable way to move forward with this replacement  
15 program. However, we also continue to believe that the  
16 Company has every responsibility to maintain safety of its  
17 system and should not be limited by this favorable rate  
18 treatment that is allowed in the \$65 million of the adjustment  
19 mechanism.

20           So we would anticipate that--if circumstances  
21 change, that the Company would maintain safety of its system  
22 and then, if necessary, come in requesting a change to what's in  
23 the infrastructure coming in with it, with a general rate case.  
24 This amount in an adjustment mechanism should not ever be  
25 seen as a limiting factor in terms of maintaining safety.

1 THE HEARING OFFICER: Thank you, Ms. Beck.  
2 Anything further on this subject?

3 MR. McKAY: Just by way of clarification, the  
4 Company would agree wholeheartedly with what was just set  
5 forth. In fact, we have continued replacement that is not being  
6 tracked today that we do go forward with each year. And even  
7 without this, we would be going forward with this replacement  
8 factor, meaning this tracking mechanism. We absolutely are for  
9 it, we approach the Commission with it, but we agree with Ms.  
10 Beck's statement.

11 THE HEARING OFFICER: Thank you. That  
12 concludes my questions.

13 Is there anything further on this partial settlement  
14 stipulation, dated December 13, 2013?

15 If not, then we'll turn to the partial settlement  
16 stipulation for the TS tariff, dated January 7, 2014.

17 Ms. Clark?

18 MS. CLARK: The Company would like to again ask  
19 Mr. McKay to summarize that partial settlement stipulation.

20 THE HEARING OFFICER: You have been sworn,  
21 Mr. McKay.

22 MR. McKAY: Yes. And as Mr. Dodge has pointed  
23 out, he anticipates a shorter amount because this is a shorter  
24 stipulation. And I do note that there are actually different  
25 settling parties in this docket, and we do call those out in the

1 very introductory paragraph.

2 By way of background, it's the same background  
3 when we filed. And the actual application, this stipulation, does  
4 recognize that on December 13, that the first stipulation was  
5 filed in settling many of the issues in this case, but there did  
6 remain a few issues that we've since been able to come to a  
7 resolution on. I would specifically point out in paragraph 3 and  
8 paragraph 4 the witnesses that still had differing opinions or  
9 different positions that were before the Company--I'm sorry,  
10 before the Commission.

11 It does recognize, also, that in the Company's  
12 testimony that we had put forth the recognition that there may  
13 need to be a multiprong solution and that additional changes  
14 that had not yet been fully vetted before this Commission and  
15 prefiled or direct or rebuttal testimony may need to take place.

16 And hence, the parties have agreed to, for  
17 purposes of settlement, in paragraph 6, that the applicability  
18 section that was proposed to be changed by the Company  
19 should be modified from what our initial proposal was and be  
20 replaced in the applicability section of the tariff 501 with the  
21 language that's set forth there in paragraph 6, which shows on  
22 page 3 in my hardcopy version of this stipulation.

23 And it's simply the identification of a primary  
24 delivery point and a recognition that at times, where the  
25 Company needs to--for operational needs, may need to direct a

1 transporting party back to that primary delivery point. We did  
2 feel and the parties have agreed, for purposes of settlement, to  
3 this language and it simply clarifies our actual practice.

4 Then in paragraph 7, we have agreed that the  
5 Company will withdraw the proposed changes in the tariff under  
6 Section 5.01 related to upstream capacity, and also a criteria in  
7 subsection 10 of Section 5.07, the Company will withdraw its  
8 position to change that tariff language.

9 And instead, we will, with the settling parties  
10 signing this, agree to meet on or before April 1 of this year and  
11 discuss with the signing parties, as well as others we'll invite, to  
12 collaboratively see if we can explore additional changes that  
13 may need to occur to Section 5.01, 5.07, as well as other  
14 changes as it relates to these issues.

15 And ultimately, we feel that that's a resolution  
16 that's in the public interest, referring specifically to Chairman  
17 Allen's--we do think all parties that may have an interest in this  
18 will be able to participate in that and at least be aware of what  
19 may be proposed--and I say may be proposed by the Company  
20 as a tariff change in the future and be able to get that input on  
21 that.

22 We obviously had a real-life event related to  
23 interruptions that happened this last December. And I think we  
24 can all learn from that and see what we might best be able to do  
25 going forward. We do feel that this is in the public interest and

1 results in just and reasonable rates.

2 I will take the risk of not explaining all the rest of  
3 these sections as it relates to the rest of the settlement, but I  
4 will point out that, to our knowledge, the settling parties are not  
5 aware of any other party that may not have signed this that is  
6 opposed to this stipulation. And therefore, we submitted that on  
7 January 6, 2014, of this year and proposed it be approved.

8 THE HEARING OFFICER: Is there  
9 cross-examination for Mr. McKay--or, Ms. Clark, did you have  
10 anything further for--

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

12 THE HEARING OFFICER: Is there  
13 cross-examination?

14 Mr. Jetter?

15 MR. JETTER: Thank you. Dr. Powell has been  
16 sworn in as well.

17 CROSS EXAMINATION

18 BY-MR.JETTER:

19 Q. Go ahead, Mr. Powell, I appreciate it.

20 A. The Division didn't take a position in testimony on  
21 this, but we are interested in making sure that these provisions  
22 in the tariff are correctly identified and address the problems  
23 that have arisen and have been identified. It became kind of  
24 apparent in our settlement discussions that the Company's  
25 approach--some of the interveners didn't believe that they were



1 really addressing the problem.

2 I think the Company's testimony indicates that this  
3 is only a partial step towards what might be a multiprong  
4 solution. And so the Division does support moving this to--for  
5 lack of a better word, a study group in between rate cases. And  
6 so we would recommend that the Commission adopt this  
7 stipulation as presented here today. Thank you.

8 THE HEARING OFFICER: Anything further?

9 MR. JETTER: No. Thank you.

10 THE HEARING OFFICER: Any cross-examination  
11 for Dr. Powell?

12 Thank you. Mr. Coleman?

13 MR. COLEMAN: Ms. Beck will be able to present, I  
14 believe, a brief position. Thank you.

15 MS. BECK: I don't have a statement on this, just to  
16 say that we support the resolution as being in the public interest  
17 and administratively efficient as well.

18 THE HEARING OFFICER: Thank you.

19 And is there cross-examination for Ms. Beck?

20 All right. Questions by the Commission?

21 And I have none, which means I believe we're ready  
22 to take up the--did I miss--Mr. Dodge, did you have something  
23 that I--

24 MR. DODGE: Thank you. No.

25 THE HEARING OFFICER: I need to be a little--

1 MR. DODGE: We have the same position. We  
2 have witnesses here, if there are questions. We support the  
3 stipulation. We anticipate that all the parties that really need to  
4 be at the table to resolve this interruptability language and  
5 upstream capacity language dilemma, we anticipate they'll all be  
6 at the table. Hopefully, there will be marketers that play a very  
7 critical role in this, as well as customers, utility regulators, and  
8 hopefully the pipeline, but we support the stipulation, we think  
9 it's in the public interest. Thank you.

10 THE HEARING OFFICER: Thank you.

11 MR. DODGE: Not by way of testimony, by the way,  
12 but by way of argument.

13 THE HEARING OFFICER: Thank you.

14 Anything else?

15 All right. Then we'll move to the issue of the  
16 interruptible sales customers commodity rate.

17 Is there anyone here on behalf of the Utah Asphalt  
18 Pavement Association? Thank you.

19 MR. RYAN: I am here. Our attorney, unfortunately,  
20 had an unforeseen scheduling conflict that has taken him away  
21 from the hearing this morning.

22 THE HEARING OFFICER: Would you mind just  
23 stepping forward so the reporter can hear you and identifying  
24 yourself for the record, please.

25 MR. RYAN: I am Reed Ryan. I am the executive

1 director of the Utah Asphalt Pavement Association. As I had  
2 mentioned, unfortunately, our attorney had a scheduling conflict  
3 that was not foreseen at this time. He has promised me he will  
4 be here as early as noon, which is, I believe, a little over a half  
5 an hour from this time. We are happy to proceed as the  
6 Commission sees fit with that knowledge, and I do apologize for  
7 this.

8 THE HEARING OFFICER: Perhaps we ought to  
9 move to the next issue.

10 Is there an objection to that?

11 That would be the mains and services policy issue.  
12 And we'll come back to this a little later, and hopefully your  
13 counsel will be here.

14 MR. SMITH: Commissioner, my name is Craig  
15 Smith. I'm here on behalf of the Utah Home Builders  
16 Association. I think that's our issue. We had scheduled to have  
17 our witness here after lunch and he's not here at this time.

18 THE HEARING OFFICER: What if we break early  
19 for lunch? That seems like the reasonable thing for us.

20 MR. COLEMAN: The only question I might have is,  
21 is an early lunch going to allow Mr. Smith's timing to coincide?  
22 Are they going to sync up?

23 THE HEARING OFFICER: If we start at 1:00, will  
24 that suit all the parties?

25 MR. SMITH: That would be fine for us, Your Honor-

1 -I mean Mr. Commissioner. I'm sorry.

2 THE HEARING OFFICER: Thank you. If there's no  
3 objection to that, we'll be in recess until 1:00. Thank you all  
4 very much.

5 (A recess was taken.)

6 THE HEARING OFFICER: On the record. Welcome  
7 back from lunch, everyone.

8 I think we're ready for the interruptible tariff issues.  
9 Are we prepared for that now? That was the order we initially  
10 determined.

11 MR. GRUNDTVIG: Adam Grundvig for UAPA.

12 THE HEARING OFFICER: Thank you. Come on  
13 forward. We'll have you enter an appearance. There's some  
14 room at the table over on this left side, if that's convenient for  
15 you.

16 MR. GRUNDTVIG: Thank you, Commission and  
17 members. I wish I had a great reason for the hiccup this  
18 morning, I don't. It was a scheduling conflict. My apologies to  
19 the Commission and to those in attendance. My name is Adam  
20 Grundvig of Kesler & Rust, representing UAPA.

21 THE HEARING OFFICER: And would you spell your  
22 surname, please?

23 MR. GRUNDTVIG: Yes. G-R-U-N-D-V-I-G.

24 THE HEARING OFFICER: Thank you. We've  
25 determined that we'll begin with the Applicant and proceed--

1 typical order would be to hear from the Division, the Office, on  
2 issues, and then we'll take up your position.

3 You have a witness to present, I believe?

4 MR. GRUNDTVIG: That's correct, yes. Mr. Reed  
5 Ryan is somewhere.

6 THE HEARING OFFICER: Thank you.

7 Ms. Clark?

8 MS. CLARK: The Company calls Mr. McKay once  
9 more.

10 THE HEARING OFFICER: We'll have you take the  
11 witness stand at this time, Mr. McKay. Thank you very much.  
12 You've been previously sworn, as you know.

13 MR. MCKAY: Yes.

14 BARRIE L. MCKAY, called as a witness for and on  
15 behalf of the Company, being previously duly sworn, was  
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY-MS.CLARK:

19 Q. Mr. McKay, you filed written testimony in this  
20 matter, it was admitted at the commencement of this  
21 proceeding. In addition to that, did you file surrebuttal  
22 testimony in this proceeding consisting of three pages  
23 premarked as Questar Gas Company Exhibit 1.0 SR, with an  
24 attached exhibit marked QGC Exhibit 1.1 SR?

25 A. Yes, I did.

1 Q. And do you adopt that testimony set forth in your  
2 prefiled surrebuttal testimony as your testimony today?

3 A. Yes, I do.

4 MS. CLARK: We would move for the admission of  
5 QGC Exhibits 1.0 SR and 1.1 SR.

6 THE HEARING OFFICER: Any objection?

7 They're received.

8 (QGC Exhibits 1.0 SR and 1.1 SR received into evidence.)

9 BY MS. CLARK:

10 Q. Mr. McKay, can you please summarize the position  
11 of the Company on the issue today?

12 A. Yes, I can.

13 The Company set about determining that they  
14 would recommend a change in the interruptible sales class after  
15 watching and observing the Company's need to purchase gas.

16 And I'll actually try to combine both my direct  
17 testimony, as well as my surrebuttal testimony, as providing a  
18 little bit of history, but we have always had--well, we haven't  
19 always, but for a couple of decades we've had an interruptible  
20 sales rate. It's been identified with different acronyms.

21 At one time, it was referred to as the I-4 rate, we  
22 now call it the interruptible sales rate, but our goal has been, for  
23 this class of customers, to pay in the past--and we'll freely admit  
24 that, to pay for their commodity portion of their rate based on a  
25 purchased gas price that we, the Company, had gone out and

1 purchased for these interruptible sales customers.

2 This was fine tuned a couple of decades ago. At  
3 one time, we would identify a certain amount of volumes that we  
4 would need to be purchasing throughout the year. We'd come  
5 up with an estimate of what that amount would be. We would go  
6 out and let these customers know, and they would make a  
7 decision of whether or not to sign up for this interruptible sales  
8 service.

9 Through time, as particularly the Division had the  
10 opportunity to review or audit our purchased gases that relate to  
11 this account--and these costs would flow through the 191  
12 account, I should put that out, they noticed that there was a  
13 potential discrepancy. We didn't have a good one-for-one  
14 matching, because what our forecast of those purchased gas  
15 prices were--it ended up being different than what we actually  
16 were able to purchase that gas for.

17 So a little over a decade ago we modified that rate  
18 schedule such that the commodity portion of the rate would  
19 match what the Company purchased on a given month and  
20 would be based on the first month's index price, recognizing that  
21 we purchased more volumes than we need to for just that class.  
22 But we knew that we were purchasing each month and that we  
23 would match for this rate schedule the cost of gas first of month  
24 index to what they would pay on that portion of their bill.

25 That's worked up until this case. And in this case,

1 we noticed, beginning last year, that because of the cost of  
2 service volumes, or our company-owned volumes that are being  
3 provided to the Company, that we no longer have any need. In  
4 fact, we have more need for storage in the summer than we do  
5 for purchasing of other volumes. And we no longer have  
6 purchased now--for the last two years, have not purchased any  
7 volumes beginning in June going through July, August, and this  
8 year it even went through September.

9           So what's been occurring during that period of time  
10 is that we have had a commodity portion for this interruptible  
11 sales class that has been matched with the first month index  
12 price, but, in fact, what they have been using during the summer  
13 months is not a one-for-one match, because they haven't gone  
14 out and purchased anything. In fact, in using the cost-of-service  
15 gas, that is all that was flowing into our system at that time.

16           We watched that for a year. And then this year, as  
17 we saw that same thing occurring and all foreseeable forecasts  
18 in the future looks like that's the way it will happen for the next  
19 few years, we came up with a proposal in this case that we  
20 would match--again, the principle here is on a one-for-one  
21 basis. Whatever the cost these customers are using, we want  
22 them to be able to be matched in paying for that.

23           And so like all other customers, we provide a  
24 weighted average cost, which is a blending of our purchases  
25 through the year, as well as the cost of service production



1 through the year. And so we've proposed that this class now be  
2 moved to the weighted average cost and, hence, avoid what has  
3 happened for the last two years, and that is an interclass  
4 subsidy.

5 To be very frank, these interruptible sales  
6 customers have been paying for gas that's at a purchased gas  
7 price or a first-month index price that is actually lower than our  
8 weighted average cost of gas in the summer months. And,  
9 hence, all the other customers that receive the weighted  
10 average cost of gas have been paying for that difference that is  
11 totalled and categorized in the 191 account balance.

12 So that's essentially our proposal and what we're  
13 recommending for approval before this Commission.

14 MS. CLARK: Mr. McKay is now available for  
15 cross-examination.

16 THE HEARING OFFICER: Any cross-examination?

17 MR. JETTER: I have no questions for Mr. McKay.

18 MR. COLEMAN: Nothing from the Office. Thank  
19 you.

20 MR. GRUNDTVIG: Nothing from UAPA. Thank you.

21 COMMISSIONER LEVAR: Just to make sure my  
22 assumption is correct, this issue doesn't affect actual production  
23 levels at the Company facilities; correct?

24 THE WITNESS: That is a correct assumption.

25 COMMISSIONER LEVAR: Okay. Thank you.

1 THE HEARING OFFICER: Mr. McKay, you're  
2 excused.

3 THE WITNESS: Thank you.

4 THE HEARING OFFICER: Mr. Jetter?

5 MR. JETTER: The Division would like to call Dr.  
6 Powell. I believe we already have him sworn in.

7 THE HEARING OFFICER: He's previously sworn in  
8 this matter.

9 Just take a seat.

10 ARTIE POWELL, called as a witness for and on  
11 behalf of the Division of Public Utilities, being previously duly  
12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY-MR.JETTER:

15 Q. Dr. Powell, would you please go ahead with a brief  
16 statement of the Division's position on this matter.

17 A. Yeah. The way the Division understands this is  
18 basically a cost causation issue. As Mr. McKay outlined the  
19 history, in the past, the Company has purchased gas in  
20 sufficient volumes to argue that that gas was being provided for  
21 particular customers, and therefore, it was right to charge them  
22 the market cost of that particular gas.

23 Also, as Mr. McKay explained, as the Division  
24 became aware of--the way he characterized it was a mismatch  
25 between what was actually being charged to the customer

1 versus what the Company was paying for the gas. We made  
2 recommendations to the Company that that be changed and that  
3 was changed subsequently.

4 Now the circumstances have changed once again,  
5 where the Company is not purchasing gas, at least part of the  
6 year, to support these customers or any of its other customers.  
7 We think it's appropriate that these customers be charged the  
8 weighted average cost of gas as other customers are being  
9 charged.

10 That would complete my statement.

11 Q. Thank you.

12 MR. JETTER: I have no further questions, and Dr.  
13 Powell is open for cross.

14 THE HEARING OFFICER: Ms. Clark,  
15 cross-examination?

16 MS. CLARK: No, thank you.

17 THE HEARING OFFICER: Mr. Coleman?

18 MR. COLEMAN: Nothing from the Office. Thank  
19 you.

20 MR. GRUNDTVIG: Nothing from UAPA. Thank you.

21 THE HEARING OFFICER: You're excused.

22 THE WITNESS: Thank you.

23 THE HEARING OFFICER: Thank you, Dr. Powell.

24 MR. COLEMAN: The Office would call Mr. Danny  
25 Martinez, ask that he be sworn.

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THE HEARING OFFICER: Thank you.

Please, just before you sit down, raise your right hand and I'll administer the oath.

DANNY MARTINEZ, called as a witness for and on behalf of the Office, being first duly sworn, was examined and testified as follows:

THE HEARING OFFICER: Thank you. Please be seated.

MR. COLEMAN: Just as a housekeeping matter, Mr. Martinez will also be the Office's witness for some of the subsequent subject matters on the agenda, with the exception of the ROE. So the procedural process of ensuring he's excused but not released from his--we just want to make sure that we don't release him so we can be a little bit efficient as before. We'll be up and down a bit.

THE HEARING OFFICER: Thank you.

DIRECT EXAMINATION

BY-MR.COLEMAN:

Q. Can you state your name, title, and business address for the record, please.

A. Yes. My name is Danny Martinez. I am a utility analyst for the Office of Consumer Services. My business address is 160 East 300 South, Salt Lake City, Utah, 84111.

Q. This morning, your direct testimony of October 30, 2013, was admitted into evidence.

1 Did you cause to draft and be submitted surrebuttal  
2 testimony, dated January 7, 2014?

3 A. Yes.

4 Q. Do you have a summary of the Office's position?

5 A. I do.

6 Q. Please, go ahead.

7 A. Thank you.

8 My surrebuttal testimony addressed the Utah  
9 Asphalt Pavement Association's objection to the Company's  
10 proposal to change from the monthly market index price to the  
11 weighted average cost of gas, or WACOG, for commodity pricing  
12 in the interruptible service class. The WACOG is used for  
13 commodity pricing in all other customer classes, except for the  
14 interruptible service class.

15 The current use of the monthly market pricing  
16 method does not reflect the Company's actual costs incurred  
17 and results in other customers subsidizing the commodity cost  
18 of the interruptible service class.

19 The Office recommends that the Commission  
20 approve the Company's proposed change in the commodity  
21 pricing method for the interruptible service class from the  
22 monthly market index to the WACOG. Approving this change  
23 will provide a uniform commodity pricing method for all customer  
24 classes purchasing gas from Questar and eliminate commodity  
25 pricing subsidies.

1 This concludes my summary.

2 MR. COLEMAN: For housekeeping purposes, I just  
3 want to make sure that--we would offer Mr. Martinez's  
4 surrebuttal testimony, Exhibit No. OCS-1SR Martinez.

5 I got a little bit confused with respect to what  
6 happened this morning, what we accepted. I don't know what  
7 was put in. So if that exception was overly broad and I  
8 misunderstood, I want to make sure that his surrebuttal  
9 testimony would be offered as evidence at this time and present  
10 Mr. Martinez for cross-examination.

11 THE HEARING OFFICER: I think it has not been  
12 received in evidence. It addresses this issue, plus others, that  
13 will be contested this afternoon, but let me just ask, is there  
14 going to be objection to receiving this entire exhibit into  
15 evidence?

16 MS. CLARK: No.

17 THE HEARING OFFICER: Are you able to  
18 determine that at this time, Mr. Smith?

19 MR. SMITH: I'd like to wait until we get to our part  
20 to be able to do that.

21 THE HEARING OFFICER: Can we come back to--

22 MR. COLEMAN: Certainly.

23 THE HEARING OFFICER: --this exhibit?

24 Thanks, Mr. Coleman.

25 Cross-examination?

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MS. CLARK: None from the Company.

MR. JETTER: The Division has no questions.

Thank you.

MR. GRUNDTVIG: UAPA has no questions. Thank you.

THE HEARING OFFICER: You're excused. Thank you very much.

THE WITNESS: Thank you.

THE HEARING OFFICER: Mr. Grundvig, I believe it's your turn.

MR. GRUNDTVIG: Thank you.

UAPA presents the testimony of Mr. Reed Ryan, who has previously offered sworn testimony in this case.

THE HEARING OFFICER: I think you have not yet been sworn as a witness in the matter, so allow me to have you raise your right hand, please.

REED RYAN, called as a witness for and on behalf of UAPA, being first duly sworn, was examined and testified as follows:

THE HEARING OFFICER: Thank you. Please be seated.

THE WITNESS: Thank you.

MR. GRUNDTVIG: Thank you.

DIRECT EXAMINATION

BY-MR.GRUNDTVIG:

1 Q. Mr. Ryan, you were previously provided rebuttal  
2 testimony on behalf of UAPA entitled, "Rebuttal Testimony of  
3 Reed Ryan on behalf of UAPA," dated 12/12 of 2013, along with  
4 UAPA Exhibit 1.0; is that correct?

5 A. That is correct.

6 Q. And do you adopt that rebuttal testimony today?

7 A. Yes.

8 MR. GRUNDTVIG: UAPA moves for admission of Mr.  
9 Ryan's rebuttal testimony.

10 THE HEARING OFFICER: Any objections?

11 It's received in evidence.

12 (UAPA Exhibit 1.0 received into evidence.)

13 MR. GRUNDTVIG: Thank you.

14 Mr. Ryan will present testimony on behalf of UAPA  
15 on a matter that will be later discussed today, so we'll have him-  
16 ask that he be dismissed but not discharged today.

17 THE HEARING OFFICER: Beyond the issue of--

18 MR. GRUNDTVIG: Beyond the issue of the WACOG  
19 rate, yes.

20 BY MR. GRUNDTVIG:

21 Q. Mr. Ryan, could you please state your name and  
22 business address.

23 A. Yes. It is Reed Ryan. Business address is 7414  
24 South State Street, Midvale, Utah, 84047.

25 Q. By whom are you employed and in what capacity?



1           A.     I'm employed by the Utah Asphalt Pavement  
2 Association as the executive director of the association.

3           Q.     Thank you.

4                     And can you please provide a summary of the  
5 rebuttal testimony that you have previously provided regarding  
6 this matter?

7           A.     I'd be glad to. Thank you.

8                     The heart of the issue for the Utah Asphalt  
9 Pavement Association, which is actually rather a mouthful, we  
10 affectionately refer to it as UAPA, as it has been referred to  
11 here, continue to center around the WACOG issue.

12                    And we understand that there is certainly some  
13 work that has been put into this issue by both Questar Gas and  
14 the Division, Office, and others who have examined this issue.  
15 The consternation remains, however, for the Association, that  
16 this is a significant change in the methodology, dating back  
17 decades as to how asphalt producers and oil terminals in our  
18 state have qualified for and paid for natural gas.

19                    Primarily, they've all been IS customers,  
20 historically, looking back. And as we look to this change, we  
21 see a significant change in the fact that these customers were  
22 not made aware of such a change, although we have heard that  
23 Questar Gas and others have looked at this issue now for  
24 several years, conditions have changed.

25                    And it was not until the filing of this rate case that

1 our members were notified of any potential impact, and it is  
2 significant for them. So our position remains that we  
3 recommend to the Commission to stay the change to WACOG,  
4 allow the previous agreed-upon task force to examine this issue  
5 with the needed input from those customers who it primarily  
6 affects who had been given no primary notification, allow them  
7 to come on together, and reach what we would hope would be  
8 the most appropriate profile for our industry, which is primarily a  
9 summer-weighted load industry.

10 Q. Mr. Ryan, does that end the summary of your  
11 testimony on behalf of UAPA today?

12 A. It does.

13 MR. GRUNDTVIG: No further questions for Mr.  
14 Ryan. He's available for cross-examination.

15 THE HEARING OFFICER: Thank you.

16 Cross-examination for Mr. Ryan?

17 MS. CLARK: Yes, please. Just one question,  
18 maybe more than one.

19 CROSS EXAMINATION

20 BY-MS.CLARK:

21 Q. Did you have the opportunity to review Mr. McKay's  
22 surrebuttal testimony in this matter?

23 A. Yes, I did.

24 Q. And were you able to review the attachment, the  
25 exhibit to that surrebuttal testimony?

1 A. I believe so. Are we referring to the graph?

2 Q. We are.

3 A. Okay. Yes, I did.

4 Q. Based upon that, would you agree that the weighted  
5 average cost of gas over the years, represented in that exhibit,  
6 fluctuated less than the purchased gas, the market-priced gas?  
7 Would you agree with that statement?

8 A. Without that actual chart in front of me and without  
9 further consultation, I don't know if I can agree to that.

10 MS. CLARK: May I approach the witness?

11 THE HEARING OFFICER: Yes.

12 THE WITNESS: Thank you.

13 BY MS. CLARK:

14 Q. Sir, I've handed you what Questar Gas has  
15 previously marked as QGC Exhibit 1.0--I'm sorry, 1.1 SR. It's  
16 an attachment, as I said before, to Mr. McKay's surrebuttal  
17 testimony.

18 Based on that exhibit, would you agree that  
19 historically the weighted average cost of gas has fluctuated less  
20 dramatically than the purchased gas prices?

21 A. Well, I do see similar fluctuations. It appears that  
22 they are less dramatic in the regard that's measured here on  
23 this chart.

24 Q. I have no further questions. Thank you.

25 THE HEARING OFFICER: Mr. Jetter?

1 MR. JETTER: No questions. Thank you.

2 MR. COLEMAN: Nothing from the Office. Thank  
3 you.

4 THE HEARING OFFICER: Any redirect, Mr.  
5 Grundvig?

6 MR. GRUNDVIG: No. Thank you.

7 THE HEARING OFFICER: You're excused. Thank  
8 you, Mr. Ryan.

9 THE WITNESS: Thank you.

10 THE HEARING OFFICER: Is there anything further  
11 regarding the interruptible sales tariff issue?

12 Let's move to mains and services policy. And I  
13 believe we have the parties and witnesses that we need to  
14 proceed.

15 MR. SMITH: As far as the Utah Home Builders  
16 Association, the answer is yes.

17 THE HEARING OFFICER: Did you have an  
18 opportunity to enter your appearance yet, Mr. Smith?

19 MR. SMITH: I don't believe I did. And I apologize,  
20 I had a doctor's appointment this morning that I couldn't change  
21 and had Mr. Adam Long from my office who was here, but my  
22 name is Craig Smith. I'm also co-counsel on behalf of the Utah  
23 Home Builders Association.

24 THE HEARING OFFICER: Thank you.

25 Ms. Clark?

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MS. CLARK: The Company calls Mr. Austin Summers.

AUSTIN SUMMERS, called as a witness for and on behalf of the plaintiff, being first duly sworn, was examined and testified as follows:

THE HEARING OFFICER: Thank you very much. Please be seated.

DIRECT EXAMINATION

BY-MS.CLARK:

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

A. Yes. My name is Austin Summers. My business address is 333 South State Street, Salt Lake City, Utah.

Q. By whom are you employed?

A. I am employed by Questar Gas Company.

Q. And what position do you hold there?

A. I'm the supervisor of regulatory affairs.

Q. Mr. Summers, I will note that your direct testimony was admitted at the commencement of this proceeding. In addition to that direct testimony, did you file surrebuttal testimony consisting of nine pages and premarked as QGC Exhibit 4.0 SR on January 7, 2013?

A. I did.

Q. If I said rebuttal, I meant surrebuttal.

A. Surrebuttal, yes.

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Q. Thank you. I apologize.

If I were to ask you those same questions today, would the answers be the same?

A. Yes.

Q. And do you adopt that as your testimony here today?

A. I do.

MS. CLARK: Questar Gas moves for the admission of QGC Exhibit 4.0 SR.

THE HEARING OFFICER: Any objections?

MR. JETTER: No objections.

MR. SMITH: I have a voir dire.

Is it proper to voir dire witnesses in this proceeding?

THE HEARING OFFICER: If you have a question about the qualifications, expertise of the witness.

MR. SMITH: I just want to ask this question--let me ask the question and then you can tell me if it's proper.

VOIR DIRE EXAMINATION

BY-MR.SMITH:

Q. Mr. Summers, in your surrebuttal testimony, did you have an opportunity to fully and fairly rebut the testimony of Mr. Ross for the Utah Home Builders Association?

A. Yes.

MR. SMITH: No objection.

1 THE HEARING OFFICER: Any other objection?

2 It's received into evidence.

3 (QGC Exhibit 4.0 SR was received into evidence.)

4 MS. CLARK: Thank you.

5 DIRECT EXAMINATION (Continued)

6 BY-MS.CLARK:

7 Q. Mr. Summers, could you please summarize your  
8 testimony for us here today?

9 A. Sure.

10 At the beginning of 2013, the Company assembled  
11 a team to analyze the existing mains and services policy to  
12 discover if any changes needed to be made. The team was  
13 made up of members from legal, regulatory, preconstruction,  
14 customer relations, accounting, and operations.

15 As the policy was discussed, it was determined that  
16 changes needed to be made. The Company considered the  
17 impacts the new policy would have on all stakeholders, including  
18 rate payers, builders, developers, rural customers, and future  
19 homeowners, including the Company.

20 Of all the stakeholders involved, the only group that  
21 isn't happy with the proposed policy is the home builder with a  
22 short service line that doesn't install energy-efficient appliances  
23 in the home. These are the stakeholders that will pay more  
24 under the proposed policy.

25 The proposal before the Commission is a change in

1 how the Company determines how much a customer contributed  
2 for a main or service line. The existing policy charges  
3 customers 100 percent of the cost of the project, including  
4 necessary costs incurred by Questar Gas.

5 The total cost of the project is then offset in the  
6 form of a standard allowance. This allowance is funded through  
7 the Company's capital budget and represents, on average, about  
8 half the cost incurred to install new lines.

9 Since the allowance was a fixed amount, some  
10 customers were benefitting more from the allowance than  
11 others. In the case of shorter service lines, the allowance might  
12 offset the entire cost of the line, while a longer service line ends  
13 up paying for a significant portion of the new line. In an attempt  
14 to treat all customers equally, the Company's proposal is to  
15 apply the principle of cost causation to each new customer.

16 Under the new policy, each new customer would  
17 pay for the costs that are necessary for pipe, backfill, and the  
18 labor to install the main or service line. They would also pay for  
19 about half of the meter and riser assembly. These are simply  
20 the costs that are caused by the new customer ensuring that  
21 everyone is paying their share.

22 In a proposed policy, the Company won't be paying  
23 for a standard allowance. Instead, the Company will be paying  
24 for all of the next costs incurred by Questar Gas, including  
25 preconstruction, right of way, surveying, engineering, design,



1 operations, inspection, and mapping.

2 Similar to the existing policy, the proposed policy  
3 will collect about half the costs from the new customer. Since  
4 all customers will be paying the costs they cause, any subsidy  
5 between shorter and longer service lines is eliminated.

6 The consequence of the proposed policy is that  
7 some customers will be charged more to install a line and some  
8 will be charged less. However, it is important to note that the  
9 Company has recently proposed and the Commission approved  
10 changes to its energy efficiency program for builders so that  
11 rebates can be applied to the cost of installing the necessary  
12 equipment.

13 By participating in the energy efficiency programs,  
14 a builder can receive an offsetting upfront credit of \$200 to  
15 \$550 towards the costs that they've incurred. In addition, a new  
16 homeowner can benefit from new energy-efficient equipment. At  
17 current rates, a new homeowner would save \$105 per year in  
18 energy costs.

19 In summary, the proposed policy correctly applies  
20 the principle of cost causation to every new customer. It  
21 eliminates subsidies between customers with different lengths of  
22 service lines and it encourages homebuilders to utilize the  
23 energy efficiency rebates that are available to them.

24 And that concludes my summary.

25 MS. CLARK: Mr. Summers is available for

1 cross-examination.

2 MR. JETTER: I have no questions.

3 MR. COLEMAN: Nothing from the Office. Thank  
4 you.

5 THE HEARING OFFICER: Anyone else besides Mr.  
6 Smith?

7 It's your witness.

8 MR. SMITH: Thank you. I do have some questions  
9 for this witness.

10 CROSS EXAMINATION

11 BY-MR.SMITH:

12 Q. Good afternoon, Mr. Summers. My name is Craig  
13 Smith. I don't believe we've ever met before. I'm an attorney  
14 representing the Utah Home Builders Association. And I take it  
15 you're familiar with the testimony of Mr. Ross Ford of the Home  
16 Builders Association?

17 A. Yes, I am.

18 Q. And let me just ask you some questions, just to  
19 make sure I understand things. And, again, I'm probably the  
20 least knowledgeable person about Questar Gas and its rates of  
21 anybody here in the room. So if I say something wrong or you  
22 don't understand, tell me and I'll do my best. Okay. Is that fair  
23 enough?

24 A. Absolutely.

25 Q. Under the current tariff, each new customer

1 receives a fixed allowance of \$781; is that right?

2 A. That's correct.

3 Q. And that's been in place for how long?

4 A. The allowance actually changes every year based  
5 on where costs are at, so that allowance was in place for 2013.

6 Q. Okay. How about the concept of a fixed allowance?

7 A. I know that it was in effect since the last tariff  
8 change, it was 2012. Before that, I believe it was still--I wasn't  
9 around before that, so I believe this policy was still in effect that  
10 it gave a standard allowance.

11 Q. That's probably been in effect for a number of  
12 years, hasn't it?

13 A. Yeah.

14 Q. I think your testimony was that you don't believe  
15 this is a fair policy anymore; is that right?

16 A. Yes, that's correct. What has changed, to answer  
17 your question, is that that fixed allowance, by giving a fixed  
18 amount of \$781, it doesn't give every builder or developer the  
19 same benefit.

20 Somebody with a shorter service line, as I  
21 mentioned, will get that service line for free or next to nothing;  
22 whereas, somebody with a longer service line, you know,  
23 200-foot service line, uncommon in rural Utah, will have to pay  
24 for all of their costs minus \$781. So I do believe that it's not a  
25 fair policy as it currently stands.

1 Q. How about the ThermWise policy of those rebates,  
2 is that a fair policy?

3 A. Yeah. The ThermWise policy promotes energy  
4 efficiency in homes that benefits customers, both the  
5 builder/developer and the homeowner going forward.

6 Q. Can you explain, just again--I'm sorry I'm so stupid  
7 about these things, but if you could explain how the ThermWise  
8 policy works.

9 A. The ThermWise program is--I'm regulatory, I'm not  
10 in our energy efficiency group, but the way that their program  
11 works is that we offer rebates to customers to get, again, an  
12 energy efficient appliance.

13 So if a customer--say a home builder puts in a new  
14 energy efficient furnace, the rebate helps to offset the  
15 incremental cost of that furnace. And it applies to water heaters  
16 and other appliances.

17 Q. Is it done by how many, for instance, water heaters  
18 you have or just one for each home?

19 A. No. I believe the limit is two furnaces per home, if  
20 I'm not mistaken. I'd have to check on that to make sure, but I  
21 believe it's two furnaces.

22 MS. CLARK: If I may interject for a moment, Mr.  
23 Summers is not here as an expert for the developer of the  
24 energy efficiency policy. I believe that if the Commission had  
25 questions in that vein, we probably could provide a witness, but

1 we're getting to the bounds of where his responsibility lies.

2 MR. SMITH: If I could respond, he did raise this as  
3 part of his testimony. My belief is that the fixed allowance is  
4 just as fair as the ThermWise, and that's what I'm trying to  
5 demonstrate. That's something that Questar has objected to or  
6 has claimed is not the case. So I think I have a right to  
7 question this witness about that and it would be improper to cut  
8 me off on that.

9 THE WITNESS: I'd be happy to answer that,  
10 actually, because--

11 MR. SMITH: I think we have an objection pending  
12 by your counsel, so--

13 MS. CLARK: The objection is withdrawn. Thank  
14 you.

15 THE WITNESS: To answer that question, you've  
16 got to look at everything that is being charged to a current  
17 customer. Right up front, a new customer, say--we'll just talk  
18 about a home builder, is going to be paying for 100 percent of  
19 the costs that are charged to that project.

20 If I'm going to go and put in a service line, if I'm  
21 building a home, and I need to put in a service line, I am  
22 charged for 100 percent of the cost of that service line. That  
23 includes the pipe that goes in the ground, it includes shade, it  
24 includes--shade is what they fill the trench with--it includes the  
25 labor, it also includes the company's internal cost: the mapping,

1 the inspection, preconstruction, design. It includes all of those  
2 costs, and then it gives them an allowance against that.

3 Under the proposed policy, they won't be paying  
4 those internal costs anymore, they'll just be paying for the pipe  
5 and the shade, the labor to go in there, and the meter and the  
6 riser--a portion of the meter and the riser.

7 So it's--we're taking some costs off of the builder  
8 and also giving them the energy efficiency rebates. So there  
9 are some variable costs that are being removed.

10 BY MR. SMITH:

11 Q. Do the ThermWise rebates apply right now, so you  
12 could get that rebate right now with an existing policy in place?

13 A. The current rebates are actually offered at the end  
14 of the construction, so you'd have to wait until the home is  
15 completed and then you can get the rebates. The current  
16 proposal is to bring those up to the beginning so that it will  
17 offset the actual contribution and reduce the upfront.

18 Q. Okay. So it will be about six months difference in  
19 time?

20 A. It could be, but it does reduce the contribution up  
21 front rather than having to wait for it.

22 Q. Okay. And it's a set rebate, depending on how  
23 many appliances you put on; is that correct?

24 A. Yeah. It depends on the number of appliances and  
25 how efficient they are. A 92 percent efficient furnace wouldn't

1 get as much as a 95 percent efficient furnace.

2 Q. Okay. Just so I understand, the main line is the  
3 line out in the street and the service line--the main line is owned  
4 by Questar; is that correct?

5 A. Yeah, all of the lines are owned by Questar.

6 Q. The service line is owned by Questar, but that's  
7 typically installed--

8 A. Yeah. Typically, the main line runs out in the street  
9 and the service line is what runs from the main up to the meter,  
10 through the yard, generally.

11 Q. Okay. So when I talk about service lines, it's  
12 typically lines on people's property?

13 A. Correct.

14 Q. And if I'm a homeowner, I can decide where on my  
15 property I want to locate my home, as far as Questar is  
16 concerned?

17 A. Where you want to locate your service line?

18 Q. No. My home.

19 A. Your home?

20 Q. My home.

21 A. Yes, you can--

22 Q. You don't care?

23 A. No.

24 Q. So if I have a ten-acre piece of property and I want  
25 to locate it next to the main line or very close to the main line,

1 say within 50 feet, I could do that if I wanted to?

2 A. Yeah. That's between you and the city.

3 Q. If I wanted to put it in the back of my property at  
4 the end of my ten acres, I could put it there as well; correct?

5 A. Yes.

6 Q. Okay. Now, for a shorter service line, the  
7 allowance that currently is in place, that will offset a higher  
8 percentage of the internal and external construction costs; is  
9 that correct?

10 A. I'm sorry. Will you repeat that?

11 Q. Let me just give you an example. Let's take a  
12 100-foot service line and compare that to a 200-foot service  
13 line.

14 Is that something that makes sense to you?

15 A. Uh-huh.

16 Q. For a 100-foot service line under the current tariff,  
17 that will offset a higher percentage of the internal/external  
18 costs; is that correct?

19 A. Yeah. Well, the allowance isn't meant to offset any  
20 particular set of costs, but, yes, the customer with a shorter  
21 service line is getting more of their costs covered as a  
22 percentage than on longer service lines.

23 Q. And this is the allowance that you don't think is fair  
24 any longer?

25 A. I'm not going to say that it's not fair. I think that it's



1 flawed, because it's a fixed amount. And so you've got some  
2 customers that are paying nothing for a line and you've got  
3 other customers that are paying for almost the entire line.

4 Now, under the proposed policy, it's a more  
5 equitable policy, because now the customer is just being asked  
6 to pay for what they are causing. If I have a short service line  
7 and I'm going to put in a 20-foot service line, I'm only paying for  
8 20 feet of pipe and the labor to install it.

9 If I decide to put my property 100 feet back on my  
10 property, I will then be paying for 100 feet of service line. And  
11 that's why I think it's far more equitable.

12 Q. Well, let me disagree respectfully with you on that.  
13 If I'm putting in a 200-foot line, I'm getting a higher subsidy from  
14 Questar; isn't that right? Because I'm getting all of my internal  
15 costs for--under the proposed system, I'm getting all of my  
16 internal costs taken care of by Questar; isn't that right?

17 A. Yeah, that's correct.

18 Q. And so instead of every customer getting the same  
19 benefit, some customers are now going to get a bigger benefit if  
20 they have longer lines on bigger lots; isn't that right?

21 A. I would agree with that. And also under the  
22 proposed policy, they will now be paying for what they need. So  
23 it may be that the proposed policy gives--if you want to look at it  
24 that way, more benefit to a longer service line, but now that  
25 longer service line isn't subsidizing a shorter service line.

1 Q. But it's my choice whether I want to have a longer  
2 line; isn't that correct?

3 A. Yeah. It's your choice and you can pay for what  
4 you need.

5 Q. Yeah. Isn't it more fair if I pay more for a longer  
6 line than a shorter line?

7 A. Absolutely. That's what my policy--

8 Q. No, that's not what your policy does. Your policy--

9 MS. CLARK: Objection to the extent that this is  
10 very argumentative.

11 If you have questions, I'm happy for you to continue  
12 along this line.

13 THE HEARING OFFICER: Were you going to  
14 express a question, Mr. Smith?

15 MR. SMITH: Yes, I was going to express a  
16 question.

17 BY MR. SMITH:

18 Q. You'd agree that construction costs are typically  
19 passed on to customers; is that correct?

20 A. Are you referring to Questar's cost or are you  
21 referring to installing a service line, those costs?

22 Q. Installing a service line cost, the customer's cost.

23 A. Yeah. If a builder puts in a new service line, I think  
24 that those costs typically might be rolled into the cost of the  
25 home.

1 Q. Now, I think it's on your surrebuttal testimony, you  
2 talked about this, the home builders are trying to benefit  
3 themselves.

4 A. I never mentioned anything like that in my  
5 surrebuttal.

6 Q. And the concept of the internal cost is--one of the  
7 other concepts to the external cost is that Questar incurs  
8 external costs per foot. Is that a correct concept?

9 A. That's how they've been charged in the past.

10 Q. Okay. How accurate do you think that is, as far as  
11 real costs of Questar?

12 A. The costs themselves, the way that those costs are  
13 assigned, is we take--from an accounting perspective, we look  
14 at the total costs that are incurred to put in service lines and we  
15 divide those by the number of feet that were installed. So I  
16 would think that to install, you know, a certain amount of feet of  
17 pipe would incur those costs.

18 Q. Okay. Is this change in tariff that's being proposed  
19 by Questar, is this designed to be revenue neutral?

20 A. Yes.

21 Q. You don't think Questar will be making more money  
22 with this change in the tariff?

23 A. No. And it's been brought up in Mr. Ford's  
24 testimony that the Company would be getting more--if the  
25 builders, as a group, were paying more for their service lines,

1 that that would increase Questar's revenue.

2           Actually, the opposite is true, because when we  
3 take a contribution from a customer, we don't count that as  
4 revenue, it's not revenue on our books. It actually offsets the  
5 capital project that we're using to book those costs. So what  
6 will actually happen, if the builders were to pay more, it would  
7 actually reduce Questar's revenue, because our rate base would  
8 be lower.

9           Q.     Okay. So just so I can understand it, so do you  
10 believe you'll be collecting more money or less money if the  
11 proposed tariff comes in place?

12          A.     We would probably be collecting less. If the  
13 builders take advantage of the energy efficiency rebates--

14          Q.     Well, that's already in place, though, right?

15          A.     It's in place at the end of the process. Participation  
16 has not been as high as--there's plenty of room for people to  
17 participate in these rebates.

18          Q.     Just to humor me a little bit, let's assume that  
19 that's a constant, that the same amount of people--you don't  
20 know, you don't have a study that says more people are going to  
21 participate in the ThermWise program, do you?

22          A.     No, but we want them to.

23          Q.     Of course. You want them to no matter what  
24 happens in this proceeding; isn't that right?

25          A.     Sure.

1 Q. Okay. So let's just assume that the same number  
2 of people participate in the ThermWise program whether this  
3 comes into play or not, this new tariff. Can you make that  
4 assumption for me?

5 A. Then those builders with the shorter service line  
6 would be paying more than they are currently. Now, I'm not  
7 asking them to pay for costs that they haven't caused. They're  
8 just paying for, like I said before, the pipe, the shade that is  
9 directly related to their line, but, absolutely, if they don't take  
10 advantage of that energy efficiency, that shorter service line will  
11 be paying more.

12 Q. Yeah. And there's nothing about whether this fixed  
13 allowance--that's not going to change anybody's mind about  
14 whether to take part in the ThermWise program, is it, whether  
15 there's the fixed allowance of 781 or there's not the fixed  
16 allowance of 781? That's not going to make a difference in  
17 ThermWise, is it? It's the same--

18 A. I haven't done the study. I really don't know.

19 Q. The ThermWise program is going to be the same,  
20 it's going to be available to the same number of people, same  
21 rates, everything's going to be the same; right?

22 A. The way that it was proposed is so that it's up  
23 front. Now, there is a benefit that they don't get when it's at the  
24 end, because when it's up front, it reduces--if a customer was  
25 going to have to pay \$1,000 for a service line, they would be

1 paying the gross, or the taxes, on that \$1,000. If they decided  
2 to put in the energy efficiency and they get a \$400 rebate, they  
3 will be paying taxes on \$600 instead of \$1,000. And it's a  
4 significant amount.

5 Q. So which tax--I'm sorry again, you know this much  
6 better than I do. So which tax are you talking about?

7 A. This is a tax that's for the Federal Government, that  
8 they require us to charge a tax for every contribution that we  
9 receive.

10 Q. Putting that at the front end is going to do that  
11 benefit, regardless of whether they get a fixed allowance on the  
12 service line or not?

13 A. Right.

14 Q. Okay. Let me talk about Questar's internal costs a  
15 little bit, the proposed tariff allocates on a preferred basis. Can  
16 you go to line 500 of your direct testimony? There's a chart  
17 there.

18 A. Line 500, yeah.

19 Q. Yeah. Right now, these fixed costs are charged--  
20 I'm sorry. Right now, the internal costs are charged on a  
21 per-foot basis; right?

22 A. Correct.

23 Q. And your proposal is that instead of giving the  
24 \$781, you're going to not charge these internal costs at all?

25 A. That's right.

1 Q. And are these internal costs--you said they were  
2 allocated on a per-foot basis, but that's not a very accurate way  
3 that they're incurred by Questar, is it?

4 A. In my summary, I mentioned that I was on a team  
5 from the beginning of 2013 up through when we filed this case.  
6 And those costs are something that the team looked at--

7 Q. Okay.

8 A. --whether or not that was a good way to charge  
9 them on a per-foot basis or not.

10 Q. Okay.

11 A. And so taking them out of the equation and just  
12 having the Company pay for those costs we felt like was a good  
13 way to do the policy that would allow us to charge customers for  
14 the cost that they caused and to make sure that we still cover  
15 our cost that we need to incur.

16 Q. Okay. Let me give you an assumption here of a  
17 100-foot service line versus a 200-foot service line. Is that--one  
18 we used before; right?

19 A. Yeah.

20 Q. And you broke down--in that chart, you broke down  
21 the preconstruction costs into five subparts. Do you see that on  
22 line 500?

23 A. Yeah. Those are different departments at the  
24 Company or different functions that need to be performed to  
25 install a new line.

1 Q. So if we take the 100-foot line versus the 200-foot  
2 line, and let's go to preconstruction, is it your testimony that  
3 you're going to have twice as much cost to provide the  
4 preconstruction services for a 200-foot line as a 100-foot line?

5 A. I haven't done any studies that would show whether  
6 those costs are variable or fixed in nature. I can tell you what  
7 we've been doing in the past is charging them on a per-foot  
8 basis. And like I said, under the proposed policy, the Company  
9 will be paying for those costs.

10 Now, in a lot of the data that's come up, there have  
11 been analyses comparing the current policy to the proposed  
12 policy. So when I was doing those analyses or other people  
13 were doing those analyses, we kept those costs on a per-foot  
14 basis so that we could compare them to the current policies.

15 Q. Tell us a little bit of what those preconstruction  
16 services are. They're not digging any trenches; right?

17 A. No. It says right here in my direct testimony what  
18 the preconstruction does. The company's preconstruction  
19 department is the first group to be in contact with the customer  
20 initiating the new service. The preconstruction department  
21 acquires all of the initial information needed to start a new main  
22 or service project, including customer loads for pipe sizing and  
23 construction plans for gas main and service location.

24 The preconstruction department also aids in  
25 coordinating the activities of multiple company departments and



1 serves as a liaison between Questar Gas and the new customer.

2 Q. So two new customers come in, customer A with a  
3 100-foot line and customer B with a 200-foot line. It's not going  
4 to take twice as long to provide those preconstruction services  
5 to customer B, is it?

6 A. Really, I don't work in that department. I never  
7 have. I don't know what their costs would do. Like I said,  
8 though, under the proposed policy, the customer won't be  
9 paying for those costs.

10 Q. Somebody's going to be paying for them. We'll get  
11 that out in a minute, but you would agree with me that these two  
12 customers walk in, it's probably going to be about the same  
13 amount of work going to be done for customer A as customer B  
14 in my hypothetical that I gave you of 100-foot and 200-foot;  
15 right?

16 A. Actually, I can't agree with you.

17 Q. Why not?

18 A. I think that there are some costs there that will go  
19 up with a longer line. Now, I don't know it's going to be double,  
20 but I don't think that it's going to be just the same amount for  
21 both of those customers.

22 Q. But you're basing this on it being double?

23 A. Well, again, under the current policy, that's how  
24 we're charging it, is that it would be double. Under the  
25 proposed policy, those costs are going to be borne by existing

1 customers.

2 Q. Now, let's go to the next one, right-of- way. That  
3 wouldn't even be applicable to the service line, would it?

4 A. It absolutely could be.

5 Q. So you have to do a right-of-way analysis or  
6 clearance for a service line on somebody's private property?

7 A. Yes. A lot of service lines--and you're just talking  
8 about residential, but--

9 Q. Yeah. That's all I'm talking about.

10 A. --a commercial customer could easily have a service  
11 line that would go through streets and we would need to get  
12 rights-of-way.

13 Q. Okay. Well, I'm here for the home builders, I'm not  
14 here for the other folks. So I'm talking about home building, but  
15 would that be then double to review a 100-foot service line for  
16 right-of-way purposes as a 200-foot line?

17 A. Again, I haven't done any analysis that shows how  
18 much of these costs would be fixed in nature or how much would  
19 be varied by foot for any of these departments, but what I do  
20 know is that the customers under the proposed policy would be  
21 paying for the costs that they cause. Now, they--

22 Q. And how do you know that when you don't have any  
23 idea if it would take twice the time or not?

24 A. Under the proposed policy, all of these costs, the  
25 new customer would not be charged for these.

1 Q. Okay.

2 A. They're just going to be charged for their pipe and  
3 their shade. And on average, these costs represent about half  
4 of the costs that a new customer would.

5 Q. But that's on average. Again, what's the average  
6 that you're basing this on?

7 A. Well, the average, I would take the total customer  
8 base and use that to make sure that we're collecting all the  
9 costs.

10 Q. So half would be paying less and half more?

11 A. I think we might be talking around each other here  
12 a little bit.

13 Q. I'm sorry.

14 A. I think that the point here that I'm trying to make is  
15 that, under the current policy, these costs have been charged on  
16 a per-foot basis. Under the proposed policy--well, on that team  
17 that I was a part of--this is something that we looked at, is that  
18 the right way to do this? And rather than coming up with maybe  
19 a fixed, if you're saying that these should all be fixed, the  
20 problem with doing a fixed charge is that puts a lot of cost  
21 burden on a small customer.

22 And so as we were looking at how can we do this  
23 equitably so that we're not hurting one customer more than  
24 another, because if I did a fixed cost, the short service lines  
25 would be paying a lot more for those internal costs than they are

1 under the current system. So simply doing away with those  
2 costs and having that be funded by the company's capital  
3 budget eliminates the problem.

4 Q. So if you don't know if the internal costs vary, you  
5 can't tell me whether Questar's bearing 50 percent or not,  
6 because it's all based on a per foot--

7 A. I can tell you that we're still--

8 Q. --200 is twice as much as 100?

9 A. Well, it doesn't work to look at it at these costs in  
10 that way. Remember, to figure out the cost that we should  
11 charge a current customer under the current system, I can look  
12 at my accounting records and I can look at all of the costs that  
13 have been incurred for preconstruction and right-of-way and all  
14 of these costs. I've got this bucket of dollars. Now I need to  
15 decide who's going to pay for those costs.

16 And under the current system, we simply said, if we  
17 charge \$9 per foot on a service line, we're going to collect that  
18 bucket of money that we need to collect. So that's how we've  
19 done it in the past.

20 So assuming, under the proposed policy, we do--  
21 the Company will be paying for this bucket of costs now, rather  
22 than charging it to a customer, I can still show that I'm covering  
23 about half the cost.

24 Q. Well, let's do another hypothetical here. Let's  
25 assume that it's just 10 percent more expensive to do the 200

1 than the 100, okay?

2 A. Okay.

3 Q. And yet, you want to charge so it's twice--okay. So  
4 under the current system, the person with the 100-foot lot,  
5 they're going to pay how much?

6 A. A 100-foot service line?

7 Q. Service line.

8 A. Charging them \$9 per foot would cost them \$900  
9 for the internal costs.

10 Q. Okay. And the person with the 200, they're going  
11 to pay twice that much?

12 A. Correct. That's under the current policy.

13 Q. Under the current policy.

14 A. Under the proposed policy, they would be paying  
15 nothing for those costs.

16 Q. Well, let's assume that that's only 10 percent more.  
17 Isn't Questar now going to make more money?

18 A. No. Again, if--I mean, okay, it's a hypothetical  
19 situation, but if the customer pays more, they contribute more, it  
20 reduces our rate base, so we would earn less. When a  
21 customer gives us money to install a service line, it is not  
22 revenue, it is an offset to our capital costs.

23 Q. So in other words, the new customers would  
24 subsidize the existing customers?

25 A. No. The new customer would be paying for their

1 portion of the line, they'd be paying for the cost--there's always  
2 some cost sharing between a new customer and the existing  
3 customers.

4 Under the current policy, that's been in the form of  
5 an allowance, but under the proposed policy, if you want to call  
6 it this way, those internal costs are the allowance. We're not  
7 giving that to them, but they're--

8 Q. But that's assuming that those internal costs are  
9 really what you say they are, chargeable by the foot and--

10 A. Fixed or not. Fixed costs or variable costs, the new  
11 customer won't be assessed any of those charges.

12 Q. Right.

13 A. The existing customers would pay for--

14 Q. They won't be assessed those, but that's based on  
15 the--let me back up.

16 I'll go to another area.

17 Do you know where the break-even point is  
18 between what people are--with the allowance now and then  
19 what's proposed by Questar, how many feet that break-even  
20 point is?

21 A. To break even at what?

22 Q. Somebody paying the same amount.

23 A. That's going to depend on if they take advantage of  
24 the energy efficiency.

25 Q. Well, let's assume for this--I think that's an apples

1 and oranges thing, but let's assume that both customers take  
2 advantage of the apples and oranges that exist today under  
3 today's tariff and under how you're proposing it.

4 Where's the break-even point? How many feet?

5 A. I believe it's up around 70 feet is how the Home  
6 Builders Association had calculated it in their exhibit.

7 Q. How about in your own calculations of Questar's?  
8 Do you know what you calculated it at?

9 A. If we're talking my analysis, my analysis includes  
10 energy efficiency rebates.

11 Q. Like I say, I want you to--

12 A. Then I haven't done that analysis.

13 Q. Well, all you have to do is add \$400; right?

14 A. Yeah.

15 Q. So add \$400 to your analysis. And what's the  
16 break-even point under your analysis? Does 64 sound right?

17 A. I'd say if we're not going to include energy  
18 efficiency, it's going to be right up there again, yeah.

19 MR. SMITH: All right. I've got their own numbers.  
20 I'd like to approach the witness so he can look at these. I'm not  
21 trying to--

22 THE WITNESS: If it's an exhibit of mine, I've got  
23 those.

24 BY MR. SMITH:

25 Q. This is actually a response to a data request to the

1 Home Builders prepared by Questar. And you can look at the  
2 whole document. The page I'm looking at is here.

3 And this one assumes that no one is going to take  
4 advantage of the energy efficiency rebates and then everyone's  
5 going to take advantage of it. I'm asking you to throw that  
6 difference out and assume that everybody's going to take  
7 advantage of the energy rebates under either plan.

8 A. Yeah, 64 feet.

9 Q. Sixty-four feet.

10 A. And, again, not asking them to pay for anything that  
11 they're not causing.

12 Q. Do you know what the average length of a line is?

13 A. In 2012, it was about 45 feet.

14 Q. So everybody that has lines between 45 feet and 64  
15 feet, what's going to be the effect of the proposed change?

16 A. The effect of the proposed change is that  
17 customers will now be asked to pay for the costs that they  
18 cause. It's a simple issue of cost causation.

19 Q. I'm just talking about dollars out of a customer's  
20 pocket.

21 A. Okay. So under your--sorry, repeat the question for  
22 me again.

23 Q. My question is, if you were to take your proposed  
24 change in the tariff--and, again, we're keeping ThermWise the  
25 same, so that's--and what I want you to tell me is if somebody



1 that has a 49-foot or 47-foot or the average length, are they  
2 going to pay more now under the proposed tariff or less under  
3 the proposed tariff?

4 A. Under 49 feet--

5 Q. I'm just trying to see how it will affect the average  
6 customer.

7 A. Under the current policy, would pay \$600; and  
8 under the proposed policy, would pay about 750.

9 Q. So the answer would be more; correct?

10 A. If they don't take advantage of that energy  
11 efficiency, then--

12 Q. We're setting that aside. I want you to--

13 A. Okay. The energy efficiency is something that the  
14 Company wants these customers to take advantage of.

15 Q. Right, but you have no study that says this new  
16 proposed policy is going to cause more people to take more  
17 advantage of this energy efficiency policy. I think you've  
18 already answered that question that you said--

19 A. You're right, I have no such study.

20 MR. SMITH: That's all the questions I have. Thank  
21 you.

22 THE HEARING OFFICER: Redirect?

23 MS. CLARK: I do have some redirect, but may I  
24 have a moment?

25 THE HEARING OFFICER: We'll be off the record.

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MR. SMITH: Can I--

THE HEARING OFFICER: Absolutely, unless Ms. Clark needs that for redirect.

MS. CLARK: No, I do not. Thank you.

THE HEARING OFFICER: Ms. Clark, we've been going an hour, maybe a recess--

MS. CLARK: I would love a break. Is that all right?

THE HEARING OFFICER: Ten after?

MS. CLARK: Thank you.

(A recess was taken.)

THE HEARING OFFICER: On the record, Ms. Clark.

MS. CLARK: Yes. Thank you. I appreciate the break.

REDIRECT EXAMINATION

BY-MS.CLARK:

Q. I just have a few clarifying questions, Mr. Summers. There was some discussion during cross-examination about under the current policy who would be paying more for what. And I wonder if you can clarify for us how those current policy internal costs are allocated. If you could just go through that one more time, I wanted to make sure that that wasn't lost on the record.

A. Yeah. The internal costs in the current policy is what you'd asked?

1 Q. Yes.

2 A. Those are collected on a per-foot basis. So every  
3 year, the Company looks at the costs that in total were required  
4 to install service lines and then divides those total costs by the  
5 footage that was installed that year. And that tells us how to  
6 charge those costs on a per-foot basis.

7 Q. And there were a number of questions, Mr.  
8 Summers, about whether or not this policy was revenue neutral.

9 When you did your analysis, did you determine  
10 overall, I'm not speaking per foot, but overall costs paid by the  
11 Company versus costs paid by new customers? Did you make  
12 any determination at all about whether those were the same or  
13 different?

14 A. No. The costs will be about the same. And if the  
15 customers take advantage of the energy efficiency, then they  
16 can even be paying less.

17 Q. There was also a lot of discussion about the energy  
18 efficiency rebates, and the dollar amount \$400 was thrown  
19 around a little bit. In your testimony, you testified that those  
20 rebates could range.

21 What factors cause those to vary?

22 A. The energy efficiency rebates that were used in the  
23 Company's filing, it was docket 13-057-14, allows customers  
24 who install a 92 percent efficient furnace to get a \$200 rebate, a  
25 95 percent efficient furnace gets a \$350 rebate, 95 percent

1 furnace with ECM gets \$400, and 98 percent with ECM gets 450.

2 In addition, a tier 1 water heater can get a rebate  
3 of \$50 and a tier 2 water heater can get a rebate of \$100.

4 Q. So those costs do vary depending on the choices  
5 the builder or the homeowner makes?

6 A. That is correct.

7 Q. There were also questions related to right-of-way  
8 that addressed or called into issue commercial versus  
9 residential.

10 Does this policy apply to both commercial and  
11 residential?

12 A. It does. It applies to everything that is intermediate  
13 high pressure.

14 Q. Mr. Summers, Mr. Smith spent a fair amount of time  
15 pointing out what could be considered flaws in the current  
16 policy. In particular, he asked a number of questions related to  
17 fixed versus variable internal costs.

18 Under the proposed policy, do you view those  
19 things as being solved or continuing to be concerns?

20 A. I do feel like those concerns are solved in the  
21 proposed policy. In total, the Company will still be collecting  
22 the same amount from the builders, but without the allowance, it  
23 allows the principle of cost causation, I guess, to be correctly  
24 applied so that they're just paying for the costs that they incur  
25 and that they cause. And the Company is paying for those

1 internal costs.

2 MS. CLARK: I don't have any further questions.

3 THE HEARING OFFICER: Any further questions for  
4 this witness?

5 MR. SMITH: I have a few following up on the  
6 redirect by Questar.

7 RE CROSS EXAMINATION

8 BY-MR.SMITH:

9 Q. I believe you just testified that under the proposed  
10 tariff it was--I think you used the phrase "revenue neutral" and  
11 collecting the same amount.

12 Did I hear that accurately?

13 A. Yes.

14 Q. So your testimony is that, under the proposed tariff,  
15 you're going to collect the same amount, it's going to be  
16 revenue neutral on the Company; is that right?

17 A. That's correct.

18 Q. Now, I guess I'm confused, so please help me. If  
19 the average length of a line is 49 feet and the break-even point  
20 is 64 feet, won't there be more people paying more money for  
21 the between 49 and 64 feet?

22 A. Yeah. And I'm going to be as clear as I can be on  
23 this. Customers who don't take advantage of the energy  
24 efficiency will pay more. And that's--

25 Q. Thank you.

1 A. And I'm readily admitting that. They will pay more--

2 Q. Thank you.

3 A. --under the current--under the proposed policy.

4 THE HEARING OFFICER: Mr. Smith, you just need  
5 to let the witness complete his answer.

6 MR. SMITH: I'm sorry, Mr. Commissioner. I  
7 apologize.

8 THE HEARING OFFICER: Thank you.

9 Did you complete your answer.

10 THE WITNESS: Yeah. I think I got the point  
11 across that if customers--those shorter service line customers, if  
12 they don't take advantage of that energy efficiency, they will be  
13 paying more than they are under the current policy. They're not  
14 paying for costs that they're not causing, but it's applying cost  
15 causation.

16 And if they'll take advantage of the energy  
17 efficiency credits that we want them to do, we're hoping that by  
18 moving those credits up to the beginning, that they will take  
19 advantage of them more. That's what the proposed policy is  
20 meant to do. If they don't take advantage of that, then they will  
21 be paying more.

22 BY MR. SMITH:

23 Q. And, in fact, you could move those credits up to the  
24 front, whether you change the other part of the--I apologize.

25 Whether those energy credits under the ThermWise

1 program are paid at the front or the back end have nothing to do  
2 with how you charge for extension of lines?

3 A. I mentioned before the tax consequences, but  
4 otherwise, that's correct.

5 Q. I mean you could implement that change in the  
6 tariff--and I want to make clear on the record, the Home  
7 Builders Association is not objecting to moving the tariff or  
8 moving the ThermWise credits from the back end to the front  
9 end. And that could be accomplished and still leave alone the  
10 fixed allowance that's been in place for many years.

11 A. You could do that, but like I said, there were  
12 problems with the current policy that are solved under the  
13 proposed policy that you wouldn't get if you just left the policy  
14 alone and moved the rebates up to the front.

15 Q. And one of the problems is Questar now can make  
16 more money?

17 A. No. Like I said, Questar does not make more  
18 money.

19 Q. I'll withdraw that question. That was just for fun.

20 MR. SMITH: That's all I have.

21 THE HEARING OFFICER: Thank you.

22 Any re-redirect?

23 MS. CLARK: No. Thank you.

24 THE HEARING OFFICER: Any questions?

25 Thank you. You're excused.

1 THE WITNESS: Thank you.

2 THE HEARING OFFICER: Anything further on this  
3 issue, Ms. Clark?

4 MS. CLARK: The Company does not have another  
5 witness on the main and service portion of it, but we will offer  
6 another witness on the customer build option.

7 THE HEARING OFFICER: We'll come to that  
8 shortly.

9 MS. CLARK: Thank you.

10 THE HEARING OFFICER: Mr. Jetter?

11 MR. JETTER: Thank you. The Division would like  
12 to call Douglas Wheelwright.

13 DOUGLAS WHEELWRIGHT, called as a witness  
14 for and on behalf of the Division, being first duly sworn, was  
15 examined and testified as follows:

16 THE HEARING OFFICER: Thank you. Please be  
17 seated, Mr. Wheelwright.

18 DIRECT EXAMINATION

19 BY-MR.JETTER:

20 Q. Mr. Wheelwright, would you please state your  
21 name, occupation, and place of business for the record.

22 A. My name is Douglas D. Wheelwright. I'm a  
23 technical consultant with the Division of Public Utilities. My  
24 address is 160 East 300 South, in Salt Lake City.

25 Q. Thank you.



1 And, Mr. Wheelwright, did you submit surrebuttal  
2 testimony with, I believe, six accompanying surrebuttal exhibits  
3 in this docket and did your surrebuttal testimony include  
4 testimony about this issue?

5 A. Yes, it did.

6 Q. If you were asked the same questions in your  
7 surrebuttal testimony today, would you have the same answers?

8 A. Yes, I would.

9 Q. Are there any corrections to that testimony you'd  
10 like to make?

11 A. No.

12 MR. JETTER: Those answers, I'll move still, at this  
13 time, that the Commission accept Douglas Wheelwright's  
14 prefiled surrebuttal testimony along with Exhibits 1.1 through  
15 1.6 SR.

16 THE HEARING OFFICER: Are there any objections  
17 to doing so, recognizing that I think it's broader than--

18 MR. JETTER: Yes, it is. If you prefer, we can  
19 admit just the portions related to--

20 THE HEARING OFFICER: I just want to give  
21 counsel an opportunity to object if they reserve--

22 MR. SMITH: Could I ask the same voir dire  
23 questions regarding his ability to have fully and fairly responded  
24 to Mr. Ross Ford's testimony?

25 THE HEARING OFFICER: I'm not sure that's voir

1 dire, actually, but why don't we ask him that on  
2 cross-examination. Is that all right?

3 MR. SMITH: Yeah, that's fine.

4 THE HEARING OFFICER: Thank you.

5 MR. JETTER: Thank you.

6 Has the Commission admitted the evidence?

7 THE HEARING OFFICER: They're received.

8 MR. JETTER: Okay. Thank you.

9 I'd like to ask, at this time, Mr. Wheelwright go  
10 ahead with a brief, prepared statement.

11 THE WITNESS: Thank you, Commissioners.

12 I have a very brief statement in support of the  
13 Company's proposed change to the main and service line  
14 extension policy.

15 As stated previously, several issues in this case  
16 deal with the appropriate cost allocation. Proposed change to  
17 the main and service line extension policy appear to  
18 appropriately allocate the cost of the light extension to the  
19 customers that will be utilizing the service.

20 The proposed change will have a greater impact on  
21 customers that require a shorter service line extension. The  
22 proposed change will treat all customers in a similar manner and  
23 does not favor urban or rural communities or a specific home  
24 size.

25 The Division is in support of the proposed change

1 to the line extension policy and would recommend Commission  
2 approval.

3 And that concludes my summary.

4 MR. JETTER: Thank you. Mr. Wheelwright is now  
5 available for cross-examination.

6 THE HEARING OFFICER: Thank you.

7 Who desires to cross-examine?

8 MR. SMITH: Probably just me, so I guess I'll go  
9 ahead.

10 THE HEARING OFFICER: Looks that way, Mr.  
11 Smith.

12 MR. SMITH: I'm very used to this, believe me.  
13 This is how my whole life goes.

14 CROSS EXAMINATION

15 BY-MR.SMITH:

16 Q. Mr. Wheelwright, I think we have met before. I do  
17 a little water stuff here every once in a while and I think we  
18 have met. My name is Craig Smith.

19 A. Yes.

20 Q. And as you know, I'm here, you were here, you  
21 heard me that I'm here representing Utah Home Builders  
22 Association.

23 A. Yes.

24 Q. You understand that; right?

25 A. I understand that.

1 Q. Now, what I want to ask you about is the neutrality  
2 of this proposed change in the tariffs on the service lines. My  
3 understanding, and I think we just had it confirmed, is that the  
4 average service line is about 46 feet; is that right?

5 A. That's what I understand from the information that's  
6 been presented.

7 Q. Right. And that's in your testimony, correct, isn't  
8 it?

9 A. Yes.

10 Q. So you have testified to that fact?

11 A. (Witness nodded head.)

12 Q. And under the existing tariff, everybody, whether  
13 they have a short line, long line, whatever, they get the same  
14 \$781 allowance; is that right?

15 A. Under the current program, yes.

16 Q. And you don't think that's fair; correct?

17 A. The current program allows one dollar amount  
18 irregardless of how much cost is incurred to extend the line.  
19 The proposal will allocate costs based on the length of the  
20 extension, which I believe is a more fair allocation of the costs  
21 for those who are incurring the cost.

22 Q. But if the break-even point is 64 feet, everybody  
23 that has a line shorter than 64 feet is going to pay more;  
24 correct?

25 A. I'm not sure if everyone would be paying more, but

1 there will be a cost for it. As I said in my summary, shorter line  
2 extensions will be paying more.

3 Q. So people with the average 46 feet, even up to  
4 people who are almost one and a half times the average, will be  
5 paying more. And then the people who have longer ones will be  
6 paying less; correct?

7 A. As I looked at the schedule, yes.

8 Q. So you think it's fair that people that have longer  
9 lines get a higher break from Questar than those who have  
10 shorter lines?

11 A. I don't agree they'll get a bigger break. I don't  
12 understand what you're--

13 Q. Well, they get more of a benefit?

14 A. I disagree.

15 Q. They get more of an allowance. You don't agree to  
16 that?

17 A. No.

18 Q. So if I have a 200-foot line and the cost is \$9 a foot  
19 of the internal costs that are waived or taken away--I won't say  
20 waived, "waived" is the wrong word--but are no longer what I  
21 have to pay, then I've gotten the benefit of how much?

22 A. Well, Questar has to come up with a standard  
23 amount. The alternative to that is you could take every single  
24 project and you bill it independently. I don't think that's in the  
25 best interest of the home builders.

1 Q. Well, isn't it in the best interest to keep things the  
2 way they are, because everybody, regardless of how long their  
3 line is, gets the very same benefit, \$781; right?

4 A. But if you have a very short extension, you pay  
5 nothing. I don't think that's fair to someone who has a 46-foot  
6 extension. When somebody else has a 20-foot extension, they  
7 pay nothing, and someone that has a 46-foot extension would  
8 pay some costs. I don't believe that is fair.

9 Q. But you do believe it's fair that the average person  
10 is going to be paying more?

11 A. I believe it's fair to allocate the cost appropriately  
12 to those that cause the expense.

13 Q. And so under this new program, everybody from up  
14 to almost 150 percent of the average are going to be paying  
15 more money, and you think that's fair?

16 A. Well, I think you need to look at the dollar impact  
17 of these proposed changes. If you look at a 46-foot extension,  
18 it equates to--I think it's \$200, roughly, the difference between  
19 the two programs. A \$200 difference for a builder in a home is  
20 not going to be the difference of whether or not he builds the  
21 home or not.

22 Q. Well, if my gas rate goes up \$10 a month, that's not  
23 a big difference to me, is it?

24 A. I don't know.

25 Q. To most people, it's not a big difference; right?

1 A. A \$10 increase?

2 Q. Right.

3 A. Probably not.

4 Q. But yet, that's why we're here today, because you  
5 can't raise the rates at all without Commission approval?

6 A. Well, that's true.

7 MR. SMITH: Okay. That's all I have.

8 THE HEARING OFFICER: Redirect?

9 MR. JETTER: No.

10 THE HEARING OFFICER: Commissioner LeVar?

11 COMMISSIONER LEVAR: Mr. Wheelwright, as I'm  
12 looking at your surrebuttal testimony on this particular issue, am  
13 I correct as I read this to see that you came to your analysis  
14 and conclusions without factoring in any potential DSM relays?

15 THE WITNESS: That's correct.

16 COMMISSIONER LEVAR: Thank you.

17 THE HEARING OFFICER: All right. You're  
18 excused. Thank you.

19 Anything further, Mr. Jetter?

20 MR. JETTER: No. The Division has no more on  
21 this issue. Thank you.

22 THE HEARING OFFICER: Mr. Coleman?

23 MR. COLEMAN: I'd ask Mr. Martinez to return to  
24 the stand.

25 THE HEARING OFFICER: I remind you, you're still

1 under oath, Mr. Martinez.

2 THE WITNESS: Yes, sir.

3 DANNY MARTINEZ, called as a witness for and on  
4 behalf of the Office, being previously duly sworn, was examined  
5 and testified as follows:

6 DIRECT EXAMINATION

7 BY-MR.COLEMAN:

8 Q. Mr. Martinez, you testified previously today that you  
9 submitted, on behalf of the Office, the surrebuttal testimony,  
10 dated January 7, 2014, in this matter; correct?

11 A. That is correct.

12 Q. Do you adopt that testimony as your testimony for  
13 today?

14 A. Yes.

15 Q. Do you have any changes to that testimony?

16 A. No.

17 Q. Do you have a brief summary statement regarding  
18 the Office's position on the subject at issue?

19 A. I do.

20 In my direct testimony, I indicated that the Office  
21 did not oppose the Company's proposal for changing the  
22 Contribution in Aid of Construction or CIAC method. My  
23 surrebuttal testimony responds to the rebuttal testimony of Mr.  
24 Ross Ford on behalf of the Utah Home Builders Association.  
25 The Office has four concerns with the Home Builders



1 Association's position that are addressed in my testimony.

2 First, the Home Builders Association neglected to  
3 provide any evidence to demonstrate a correlation between  
4 short service lines and low income customers.

5 Second, the Home Builders Association included  
6 inconsistent data, which distorted its numerical analysis.

7 Third, the Home Builders Association's own  
8 analysis shows a very small dollar impact on affected customers  
9 from the Company's proposal, which raises questions about  
10 whether the Home Builders Association is concerned about  
11 protecting the interests of new homeowners who are interested  
12 in preserving a cost allocation method that generates benefits  
13 currently enjoyed by its members.

14 Lastly, the Home Builders Association's approved  
15 proposal to retain the current allocation method is contrary to  
16 the fundamental ratemaking principles of cost causation and  
17 fairness.

18 The Office recommends that the Commission  
19 approve the Company's proposal to change the current CIAC  
20 method for service line extensions. Approving this proposal will  
21 assign costs in a more equitable fashion for new customers  
22 regardless of service line length.

23 That concludes my summary.

24 Q. Do you have anything further at this time?

25 A. No.

1 MR. COLEMAN: The Office would again offer Mr.  
2 Martinez's surrebuttal testimony, Exhibit OSC-1SR and Exhibit  
3 OCS-1SR 1.0, as evidence.

4 THE HEARING OFFICER: Any objections?

5 They're received.

6 (Exhibits OSC-1SR and OSC-1SR 1.0 received into evidence.)

7 MR. COLEMAN: Mr. Martinez is available for  
8 cross-examination.

9 THE HEARING OFFICER: Anyone desiring to  
10 examine besides Mr. Smith?

11 Mr. Smith, your witness.

12 MR. SMITH: Thank you, Mr. Commissioner.

13 CROSS EXAMINATION

14 BY-MR.SMITH:

15 Q. I don't think we've met. I'm Craig Smith. You've  
16 been sitting here, you know who I am; correct?

17 A. Good afternoon.

18 Q. Good afternoon. How long has the current  
19 inequitable tariff been in place?

20 A. I'm not sure the exact date, but it sounds like it's  
21 been, from what's been testified, for some time.

22 Q. I mean has the meaning of "equity" changed,  
23 equitability changed? Why all of a sudden, if this has been in  
24 for a long time, why have we allowed something that's unfair  
25 and inequitable to be in place? Have you ever attacked this

1 before?

2 A. I have not personally.

3 Q. Do you know if the Office of Consumer Services  
4 has?

5 A. The Office has filed comments in various dockets  
6 related to the CIAC, yes.

7 Q. Okay, but even though this has been in place for a  
8 long time, you think it's been unfair for a long time; correct?

9 A. I do not have an opinion on the past performance of  
10 what the system was before. I can't speak to that.

11 Q. Well, if the Commission were to continue the  
12 existing fixed allocation, would that be inequitable or unfair, in  
13 your opinion?

14 A. In my opinion, I think that the cost allocation, as it  
15 currently stands, benefits some customers over others and that  
16 can be deemed unfair.

17 Q. Let's talk about that.

18 First of all, let me understand what  
19 your--you have a statutory duty at the Office of Consumer  
20 Services; correct?

21 A. That is correct.

22 Q. And what is that statutory duty?

23 A. We represent customers who are residential and  
24 small commercial customers.

25 Q. And you've heard testimony that if I have a 49-foot

1 line extension, I'm going to be paying more if this proposed  
2 change is put in place. You've heard that testimony; right?

3 A. I've heard that, yes.

4 Q. All the way up to 64 feet, that's where the  
5 break-even point is; correct?

6 A. I've heard that, yes.

7 Q. Do you disagree with that or do you agree with  
8 that?

9 A. What part--

10 Q. That everybody that has a line, if this new proposed  
11 tariff comes into place, everyone up to 63 feet is going to be  
12 paying more than they did in the past?

13 A. Yes, but it's based upon cost-basis terms of who--a  
14 cost-sharing basis. So while they may be paying more, it's  
15 shared between new and existing customers.

16 Q. Well, I mean if I'm a new customer, more is more to  
17 me, as far as I'm concerned; right?

18 A. If you say so, if you're the customer.

19 Q. Isn't that the average length is 49? So isn't more  
20 than half of your group that you're supposed to be representing  
21 going to be harmed by this change in the tariff?

22 A. I'm not sure if they'll be harmed. I know that they'll  
23 be taking--they will pay for the allocation of costs that they are  
24 assigned for building a new service line.

25 Q. They'll be paying more for it, because they won't

1 get the fixed--everybody doesn't get the same, it's based on how  
2 long their line is, is the benefit that you get; correct?

3 A. Could you repeat the question one more time,  
4 please, sir?

5 Q. Well, more than half the people that you represent  
6 are going to be paying more when they go to build a new house  
7 and get a new service line; correct?

8 A. They could be, yes.

9 Q. Well, could be or will be.

10 Can you testify and tell the Commission whether it's  
11 could or will?

12 A. I think it depends upon the service line length, to  
13 be candid.

14 Q. Well, that's what we're talking about. I'm talking  
15 about your average customer, 49-foot, 46-foot line paying more  
16 money and you're up here testifying against that.

17 A. They will pay more, yes.

18 Q. Okay. Thank you.

19 And have you done any studies about the size of  
20 lots and the length of lines, if there's a correlation between the  
21 size of lots and the length of lines?

22 A. No, sir, I have not.

23 Q. Have you done any study about whether the price  
24 of homes tends to be lower for smaller homes, smaller lots, than  
25 on larger lots?

1 A. I have not, sir.

2 Q. So you couldn't testify about that one way or the  
3 other?

4 A. No, sir.

5 Q. So you talked about--well, let me go to this.

6 You testified that you believe the Home Builders  
7 Association is, quote, and this is on line 129 of your testimony,  
8 "Appears to be more interested in protecting the current benefits  
9 enjoyed by its members."

10 Is that your testimony?

11 A. It appears that way, yes.

12 Q. Aren't all costs just passed on to the consumer?

13 A. I can't speak to that unequivocally.

14 Q. So you can't testify whether a home builder, if they  
15 have to now pay more for the average sized lot than they did  
16 before, whether that extra money is going to be passed on to  
17 the consumers?

18 MR. COLEMAN: I'm going to object to the question  
19 as calling for speculation by Mr. Martinez about what the home  
20 builder might do.

21 MR. SMITH: He opened the door to this, Mr.  
22 Commissioner, by testifying that this was somehow going to  
23 benefit the Home Builders Association. I have a right to explore  
24 that testimony.

25 THE HEARING OFFICER: Just rephrase your

1 question, please, or reask it.

2 BY MR. SMITH:

3 Q. So where did you come up with the idea that this  
4 would somehow benefit the Home Builders Association?

5 A. I think there was an inherent subsidy built into the  
6 shorter line lengths.

7 Q. Right. So people with shorter lengths pay less  
8 money under the current system?

9 A. Yes.

10 Q. And now people with shorter lengths pay more  
11 money under what you have embraced that Questar is  
12 proposing?

13 A. They pay the cost for installing the line and the--

14 Q. The question was, do they pay more or less?

15 A. Yes, they pay more.

16 Q. Thank you.

17 MR. SMITH: That's all the questions I have.

18 THE HEARING OFFICER: Off the record.

19 (Discussion held off the record.)

20 THE HEARING OFFICER: On the record.

21 Mr. Coleman?

22 MR. COLEMAN: The Office has no redirect  
23 questions.

24 THE HEARING OFFICER: Questions from the  
25 commissioners?

1 You're excused.

2 THE WITNESS: Thank you.

3 THE HEARING OFFICER: Mr. Smith?

4 MR. SMITH: We have one witness. I guess it's our  
5 turn to call a witness.

6 THE HEARING OFFICER: I believe that's true. Let  
7 me just make sure.

8 Are there any other witnesses to be presented on  
9 this subject that I've overlooked?

10 Thank you. Yes--

11 MR. GRUNDTVIG: Utah Asphalt Pavement  
12 Association has one witness as well.

13 THE HEARING OFFICER: Mr. Grundvig, would you  
14 proceed?

15 MR. GRUNDTVIG: Utah Pavement Asphalt  
16 Association would ask that Mr. Reed return to the stand.

17 THE HEARING OFFICER: I remind you that you're  
18 under oath, Mr. Reed.

19 THE WITNESS: Thank you.

20 MR. GRUNDTVIG: I accidentally referred to him by  
21 his first name. It's Mr. Ryan.

22 THE WITNESS: It's one of those names. I blame  
23 my parents. It's okay. It happens at least three times a day.

24 THE HEARING OFFICER: Mr. Ryan, I apologize.

25 .



1 DIRECT EXAMINATION

2 BY-MR.GRUNDVIG:

3 Q. Mr. Ryan, you previously offered rebuttal testimony  
4 in this docket as UAPA Exhibit 1.0, filed on December 12, 2013;  
5 is that correct?

6 A. That's correct.

7 Q. If I asked you the questions today that are listed in  
8 your rebuttal testimony filed on that date, would you answer  
9 them the same way?

10 A. Yes, I would.

11 Q. You previously adopted that testimony, respecting  
12 UAPA's position on the WACOG issue; is that right?

13 A. That's correct.

14 Q. And do you now adopt that testimony, respecting  
15 UAPA's position, as to the new main and services issue before  
16 the Commission?

17 A. Yes.

18 Q. Would you please summarize UAPA's position as to  
19 the new main and services issue before the Commission?

20 A. Yes. Thank you.

21 UAPA appreciates Questar Gas Company's work on  
22 this issue. However, we have a concern where significant  
23 investments have been made on line extensions, some as  
24 recently as April, where these projects came on line. And these  
25 were all done under the old policy, without any notification or

1 discussion of this issue from Questar Gas that they were  
2 contemplating sending out this issue.

3 Such a change in this line extension policy couples  
4 with what we have previously talked about in the change of--  
5 some of these same customers that are represented through  
6 UAPA.

7 This represents, coupled with the change of  
8 methodology as proposed by Questar, again, some significant  
9 changes to how we conduct our business. Had UAPA members  
10 known this, they may have delayed such decisions until things  
11 were settled at this case. Therefore, we recommend that  
12 projects currently under the five-year agreement qualify to be  
13 grandfathered under any new policy that is agreed to.

14 As such, such qualifying projects would give us  
15 existing contractual rights conditioned on a refund of Questar  
16 Gas Company's internal cost charge for any applicable project.  
17 We believe this allows for a streamline of policy, an opportunity  
18 to reduce some costs of the tracking and the refunding of  
19 allowances.

20 This concludes my summary.

21 MR. GRUNDTVIG: No further questions.

22 Mr. Ryan is available for cross-examination.

23 THE HEARING OFFICER: Cross-examination? Ms.

24 Clark?

25 MS. CLARK: Yes, please. Thank you.

1 CROSS EXAMINATION

2 BY-MS.CLARK:

3 Q. Good afternoon, Mr. Ryan. In your participation in  
4 this case, did you have the opportunity to review Mr. Summers's  
5 testimony?

6 A. I did.

7 Q. And did you note during that review that Questar  
8 has indicated an intent to honor those contractual obligations  
9 and pay refunds that are due on contracts signed before any  
10 such policy were entered? Did you see that?

11 A. I did note that, yes.

12 Q. Does that fully resolve your concerns?

13 A. I believe so. I believe our purpose here is just to  
14 seek further clarification. And we appreciate the opportunity to  
15 work with Questar on that. We just want to make certain that  
16 we would be able to work towards that shared goal, if that's the  
17 right way to frame it.

18 Q. We appreciate that. I seek clarity, too. I want to be  
19 sure that I also understand your testimony.

20 Is it your testimony that existing contracts under  
21 current policy would proceed to their conclusion under all of  
22 those terms and conditions, not taking into account the  
23 internal/external cost that is proposed in the new policy? Is that  
24 your understanding?

25 A. I'm not sure if I understand to the fullest extent, as

1 I am certainly not the expert in the room on this matter, but what  
2 we are seeking is that where significant investment was made  
3 under certain assumptions, those assumptions most likely will  
4 no longer be true. That's where we would look to partner with  
5 the Company in resolving some of those issues and/or making--  
6 searching for the right word here--more suitable for those  
7 companies that made such an investment under those  
8 assumptions when no notification was given of it of a possible  
9 change.

10 Q. I see.

11 So if both Questar and those customers were to  
12 honor the terms of those contracts, or those terms and  
13 conditions, that were in effect at the time those decisions were  
14 made, that would satisfy you, your organization?

15 A. Not necessarily, if I can frame that in the right way,  
16 because this isn't just one thing standing on its own. We're  
17 contemplating significant changes to the IS rate. And where  
18 this represents what we think is an improved policy, we would  
19 hope that we would be able to grandfather those agreements  
20 into this new and improved policy so that these customers, had  
21 they known the potential impacts of the change of methodology,  
22 those business decisions would have been made otherwise.

23 Q. This is what I'm getting at and I appreciate the  
24 opportunity to clarify.

25 So your proposal is that the customers receive the

1 benefits of the refunds that are due under existing agreements  
2 but also have the policy retroactively apply?

3 A. No. Those customers, I believe, said they would  
4 give up those contractual agreements in exchange that Questar  
5 would give up the internal costs that the companies have  
6 already borne, in addition to the external costs that the  
7 companies have already borne. Those external costs, obviously,  
8 are paid and we would not look for those that--

9 THE HEARING OFFICER: Just a little slower,  
10 please.

11 MS. CLARK: That's all that I have. Thank you for  
12 that clarification.

13 THE HEARING OFFICER: Any other  
14 cross-examination? Redirect?

15 MR. GRUNDTVIG: No, Commissioner. Thank you.

16 THE HEARING OFFICER: Thank you, Mr. Ryan.

17 THE WITNESS: Thank you.

18 MR. COLEMAN: Mr. Commissioner, at this time,  
19 perhaps, in deference to our reporter, if I could ask for just a  
20 five-minute break, I would be grateful.

21 THE HEARING OFFICER: I think we'll break until  
22 five minutes to the hour.

23 MR. COLEMAN: Thank you.

24 (A recess was taken.)

25 THE HEARING OFFICER: We'll be on the record.

1 I believe, Mr. Smith, were you--your witness. Am I  
2 missing anything or--

3 MS. CLARK: If I may.

4 THE HEARING OFFICER: Are we ready to hear  
5 from Mr. Ford?

6 MS. CLARK: Commissioner, I do believe we're  
7 ready to hear from Mr. Ford, but there is one issue.

8 There was one other intervening party, the Emery  
9 County Economic Development Department, and Mr.  
10 McCandless submitted prefiled testimony. It was the Company's  
11 understanding that he intended to appear and offer that  
12 testimony. We have not yet been able to locate him and believe  
13 that he understood that this issue would be raised late  
14 tomorrow.

15 I wonder if we can leave the issue open in the  
16 event that he is able to be found and able to appear.

17 THE HEARING OFFICER: How do the parties feel  
18 about that? Any objection to that process?

19 Will you inform us when you know what his plans  
20 are?

21 MS. CLARK: I will. We've got Questar looking for  
22 him now to find that out. I appreciate your patience.

23 THE HEARING OFFICER: Okay. I also have a  
24 question regarding Mr. Ford and our next issue. We're really--  
25 they're addressing a proposal made in his testimony.

1 Have the parties thought about what the order  
2 ought to be there? I guess what I'm wondering is if he ought to  
3 take the stand and basically address both issues and sort of  
4 lead into the next issue.

5 Do you have a--

6 MR. SMITH: I think that works fine. I don't have  
7 any objection to that.

8 THE HEARING OFFICER: Okay. Anyone else?  
9 Okay. All right.

10 MR. SMITH: At this time, the Utah Home Builders  
11 Association would like to call Mr. Ross Ford to the stand.

12 ROSS FORD, called as a witness for and on behalf  
13 of the Utah Home Builders Association, being first duly sworn,  
14 was examined and testified as follows:

15 THE HEARING OFFICER: Thank you, Mr. Ford.  
16 Please be seated.

17 MR. SMITH: Mr. Ford submitted rebuttal testimony  
18 on December 12, 2013. It's labeled as Exhibit No. UHBA 1.0,  
19 with the attachments 1.1, 1.2, 1.3, 1.4, and 1.5.

20 DIRECT EXAMINATION

21 BY-MR.SMITH:

22 Q. Mr. Ford, are you familiar with this testimony and  
23 these exhibits?

24 A. Yes, I am.

25 Q. And you adopt those for the purposes of today's

1 hearing?

2 A. Yes.

3 MR. SMITH: I'd ask that that testimony, those  
4 exhibits be admitted at this time.

5 THE HEARING OFFICER: Any objection?

6 They're received in evidence.

7 (Exhibit No. UHBA 1.0, with the attachments 1.1, 1.2, 1.3, 1.4,  
8 and 1.5 received into evidence.)

9 MR. SMITH: Thank you.

10 BY MR. SMITH:

11 Q. Mr. Ford, would you state your name and address  
12 and occupation for the record.

13 A. My name is Ross Ford. I am the executive vice  
14 president for the Utah Home Builders Association. My work  
15 address is 9069 South 300 West, West Jordan.

16 Q. And how long have you been employed in that  
17 capacity?

18 A. Just over one year.

19 Q. And what was your profession, occupation before  
20 that time?

21 A. I had been a builder prior to that.

22 Q. For how long?

23 A. In and out of the business for probably 25 years.

24 Q. And do you have a short statement of your  
25 testimony that you'd like to provide to the Commission?



1 A. I do.

2 Q. Would you go ahead and do that at this time.

3 A. The Home Builders Association is involved in this  
4 rate case due to several issues that directly impact the members  
5 of the Home Builders Association and the residential  
6 construction industry and residential housing market in the  
7 state.

8 Namely, the Home Builders Association intervened  
9 in order to address the service line cost allocation policy, the  
10 main extension policy, and Questar's prohibition on installation  
11 of gas lines, except by a single, chosen contractor for a given  
12 area.

13 The current service line policy uses an allowance  
14 amount, essentially representing the portion of cost of a new  
15 service line that Questar will pay. The allowance amount is such  
16 that for service lines under a certain length, the customer will  
17 pay nothing. And for extremely long service lines, the customer  
18 pays the significant majority of the installation cost.

19 The Home Builders Association feels that this  
20 system has worked well and believes that the proposed changes  
21 are unnecessary and shift a larger portion of the cost of new  
22 service lines away from Questar and to the customers.

23 Indeed, the Home Builders Association believes  
24 that the vast majority of new customers will end up paying more  
25 under the proposed system. The current main extension policy

1 is such that a builder or developer who needs a main extension  
2 pays the full upfront cost of that extension, but it is then entitled  
3 to rebates if and when other new customers connect to the main  
4 extension. The Home Builders Association believes that this  
5 policy encourages thoughtful and efficient planning and  
6 developments in the main extensions.

7 The proposed policy changes this system so that  
8 the developer bears about half of the cost of the main extension  
9 and Questar bears the other half. The Home Builders  
10 Association believes that such a change is unneeded and will  
11 lead to Questar and other existing gas customers bearing a  
12 large portion of the costs and risks of main extensions.

13 Finally, the Home Builders Association suggests  
14 that Questar's current policy of choosing one contractor to  
15 install gas lines for a given area is unnecessarily increasing  
16 costs to new customers. The Home Builders Association  
17 believes that a system that opens the market, to a certain  
18 extent, for gas line installation will both reduce costs and  
19 reduce delays.

20 And that's the conclusion of my summary.

21 MR. SMITH: Thank you.

22 At this time, we would tender Mr. Ford for  
23 cross-examination.

24 THE HEARING OFFICER: Thank you.

25 Who desires to cross-examine Mr. Ford?

1

Ms. Clark.

2

MS. CLARK: I do. I just have a couple of

3

questions, Mr. Ford.

4

CROSS EXAMINATION

5

BY-MS.CLARK:

6

Q. Do you believe that energy efficiency is a good

7

thing?

8

A. Yes, I do.

9

Q. And do you believe that a home builder who is a

10

good corporate citizen would engage in energy efficiency

11

practices, like installing energy efficient appliances, and

12

construction methods?

13

A. Yes, I believe they do.

14

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

15

THE HEARING OFFICER: Any other

16

cross-examination for Mr. Ford?

17

MR. JETTER: I've just got a few questions for Mr.

18

Ford.

19

CROSS EXAMINATION

20

BY-MR.JETTER:

21

Q. Is it correct that you stated in your testimony that

22

you believe that the builders are in a better position than the

23

gas distribution company to anticipate future growth?

24

A. Yes.

25

Q. And do you believe, then, that those developers are

1 in a better position than the gas company to identify the  
2 appropriate line sizing, line placement, and I guess, the general  
3 line installation of a new main line than the builders--excuse  
4 me--that the builders are in a better position to make those  
5 evaluations than the gas distribution company?

6 A. Run that question by one more time. I want to  
7 make sure I understand what you said.

8 Q. The choices to extend the main line, for example,  
9 would involve sizing the main line, the placement within certain  
10 rights of ways, and general choices of that nature.

11 Do you believe that the builders are in a better  
12 position to forecast all of those factors than the gas distribution  
13 company?

14 A. I believe it would have to be a combination of the  
15 two. I believe that the gas company is probably better equipped  
16 for the sizing. They're not always the most knowledgeable on  
17 where to put it and how to put it in, simply because they don't  
18 have the same economic impact as to where it will go and what  
19 it will affect. So I believe it needs to be a team effort between  
20 the two.

21 Q. And do you think a builder with a certain  
22 development is going to have any incentive to put in the  
23 appropriate line for, let's say, two or three other developments  
24 that are owned by other parties, beyond the immediate need for  
25 a main line extension, whereas--I'll end it with that.

1 Do you believe that the economic incentives are  
2 there for a builder to consider future use outside of their own  
3 property ownership?

4 A. I'm not sure I could speak to that. It would depend  
5 on what the relationships are with that builder and with other  
6 builders and what they see in the future. It's quite possible that  
7 that hypothetical project in the future could be one of their own.  
8 So, yes, to a point, I think good planning always makes sense  
9 and a good builder would do that, but I certainly couldn't speak  
10 for all developments and the developers.

11 Q. Okay, but you would agree that a gas distribution  
12 company would certainly be mindful of future expansion and  
13 have the incentive to put in the appropriate main line extension  
14 at the time when they're doing that for an individual  
15 development?

16 A. Yeah, I would agree with that.

17 Q. Okay. You said that you were a builder for 25  
18 years; is that right?

19 A. That's correct.

20 Q. If you increase a cost--let me back up and ask a  
21 foundational question here.

22 When you're selling a residential house, let's say,  
23 you're competing against both new houses and existing homes;  
24 is that right?

25 A. That's correct.

1 Q. And so if an additional cost is put on a new home,  
2 would it be correct to say that the entire portion of that new cost  
3 is not going to be included in the sale price of that home?

4 A. No. It would depend on the cost. As much as you  
5 could, you would allocate the costs back into the home.

6 Q. Okay. When you're selling a residential home,  
7 you're competing in a market with existing homes and other  
8 builders.

9 Do you price the home specifically based on every  
10 cost or do you base the price generally on what the market will  
11 bear for that particular property?

12 A. Well, you would be really careful on where you  
13 build, although you have to be conscious of what the market  
14 would bear. Certainly, the cost of the home are going to be the  
15 guiding principles. If you build a new home that's a \$500,000  
16 home in an area that's selling \$150,000 homes and you price it  
17 as such, you will probably only build one home before you're out  
18 of business.

19 Q. Okay. I guess the line of questions is, is it  
20 accurate to say that the builders--if there's an increase in the  
21 gas line extension cost, the builders will bear a portion of that  
22 cost and the buyer of that home will bear a portion of that cost?

23 A. Again, I don't know that I could speak for all  
24 builders. It will depend on their business model exactly how  
25 that works. And I also think it will change over time. What they

1 may bear currently, in the future it certainly will get shifted to  
2 the consumer. Oftentimes, we'll see increases in all kinds of  
3 different things and the builder can't bear that on an ongoing  
4 basis.

5 Q. Okay. I'll change lines of questioning here, just a  
6 couple of brief questions.

7 Are you aware of what rough mortgage rates are  
8 right now in residential single-family homes?

9 A. Meaning percentage?

10 Q. Yes.

11 A. Yeah, it's about three and a half for a fifteen year  
12 and four and a half for a thirty.

13 Q. Okay. And so the cost of a main line extension  
14 were slightly larger for a starting group, they would generally be  
15 including that in the mortgage and the carrying cost would be in  
16 that percentage range?

17 A. Correct.

18 Q. And that's lower than the Company's overall cost of  
19 capital, which is to be determined in this case, but somewhere  
20 between 6 and 8 percent?

21 A. Okay. I'm not sure I understand what you're--

22 Q. The carrying cost, if it's a slight addition to a  
23 mortgage, for example, is lower than that of having the  
24 Company carry that cost?

25 A. So I guess I still don't understand what you're

1 suggesting, that you're saying that it's then overall cheaper to  
2 have the builder carry the cost than the Company carry the  
3 cost?

4 Q. To have the consumer, the home, carry the cost  
5 than to have the Company carry that cost and receive a  
6 weighted average return as part of their rate base.

7 A. So your question is, is that better?

8 Q. My question is just, is it cheaper? Is it overall  
9 cheaper to have the cost--I believe you suggested in your  
10 testimony that you would prefer that the Company internalize  
11 the cost into their rate base of the meter and the short line?

12 A. And I'm not sure I was pushing for the rate base, as  
13 much as I would like to see it go back to the Company itself, to  
14 its shareholders. It seems to me like this is a capital  
15 improvement that the Company then owns forever. It should be  
16 something they buy.

17 Q. Okay. And you would agree that if it's on the  
18 Company's books, the cost of that is slightly more than it would  
19 be if it's on the ownership of the home and through the  
20 mortgage percentage of the interest?

21 A. I'm not sure. I don't know what their books are. I  
22 understand what you're telling me. And if that's true, then I  
23 understand what you're saying. I'm not sure that works out,  
24 though, because we're spreading the cost of new construction  
25 across everybody, and new construction is only a tiny slice. So I



1 don't think to figure those percents like that is really a fair  
2 comparison.

3 Q. Okay.

4 MR. JETTER: I think that's all the comments I  
5 have.

6 THE HEARING OFFICER: Any other  
7 cross-examination?

8 MR. COLEMAN: I do have some on behalf of the  
9 Office.

10 THE HEARING OFFICER: Mr. Coleman?

11 CROSS EXAMINATION

12 BY-MR.COLEMAN:

13 Q. Mr. Ford, is it still your position today that service  
14 line, meter and riser costs should not be assigned based upon  
15 the cost causation?

16 A. No. I think I still--I agree with that principle, I just  
17 think I understand cost causation different. I don't understand  
18 how if we have a--or a main line similar that needs to be  
19 replaced, the cost of that replacement is shared across the  
20 entire rate base, even though it may only affect a single  
21 subdivision, is any different than a new line going into a  
22 subdivision, the cost of that being borne by that same  
23 subdivision.

24 Q. And we'll talk about main lines in a minute or two,  
25 but with respect to your testimony--

1 MR. COLEMAN: And if I may, may I approach?

2 THE HEARING OFFICER: Yes.

3 THE WITNESS: Thank you.

4 MR. COLEMAN: Thank you.

5 BY MR. COLEMAN:

6 Q. I've handed you a copy of what is titled, "Response  
7 to Office of Consumer Services's First Set of Data Requests to  
8 the Utah Home Builders Association."

9 If you might turn to what is identified as page 3, the  
10 top of page 3, which is a continuation of the response to  
11 request 1.2, I'm going to go ahead and start reading the  
12 sentence and ask you to just follow along and ensure that what I  
13 read is actually there, that I haven't inserted anything that is not  
14 there and omitted anything that is.

15 Starting with the top of page 3; correct?

16 A. Correct. I'm with you.

17 Q. Okay. Starting with the sentence, "Indeed."

18 "Indeed, as illustration, Questar's current approach  
19 to service line cost allocation is clearly not based purely on cost  
20 causation, as certain customers pay nothing for new service  
21 lines that do cost something to install and connect."

22 So is it your position today that that system that is  
23 not based upon cost causation should remain in effect?

24 A. Yes.

25 Q. Do you have any empirical support to substantiate

1 the claims that are in your testimony that a small lot equals a  
2 small home? Do you have any analytical support for that?

3 A. I don't. I guess that's just the common sense look  
4 that, as you drive down the road, you don't normally see a  
5 20,000-square foot home sitting on a quarter-acre lot.

6 Q. Would the answer be the same for a large lot in a  
7 large home association? Any empirical support for that  
8 relationship?

9 A. Well, again, not necessarily the large home, but  
10 just because of the value of the property, a large lot will have a  
11 larger value, if that makes sense, that certainly would be more  
12 expensive to buy an acre of ground than a quarter acre of  
13 ground. So that large lot is going to have a higher dollar value.

14 Q. So it's the real property value difference?

15 A. Well, certainly, that's one that is easily measured.  
16 There is, again, just the assumption and just kind of looking at  
17 what experience shows you, that generally those larger lots also  
18 have larger homes and deeper setbacks for those homes, but I  
19 don't have any studies or anything to shore that up.

20 Q. Does that association hold true outside of areas  
21 along the Wasatch Front, for example, in rural Utah with respect  
22 to large lots, generally, resulting in large homes?

23 A. Again, I wouldn't say necessarily the large homes,  
24 but I would say it's an increased value of the property, yes.

25 Q. In your testimony, you refer to a lower-end home.

1 Can you put a definition on what that is, what's the value--as  
2 you refer in your rebuttal testimony to a lower-end home  
3 generally being on a small lot, can you identify and put in a  
4 definition to what a lower home price would be?

5 A. Can you tell me where that's at, just so I make sure  
6 I get it in context?

7 Q. It might take me a minute to peruse my--there we  
8 go. On page 7, line 116 through 118, it reads--I'll let you get  
9 there, I apologize.

10 A. One sixteen, did you say?

11 Q. Yeah, line 116.

12 A. Okay.

13 Q. "The Home Builders Association is concerned that  
14 lower-income customers who generally live in lower-end homes  
15 will be adversely affected by the proposed changes to the cost  
16 allocation system."

17 Can you define "lower-end home," the price, the  
18 value, sale price?

19 A. No, I don't know that I could put a price on it. I  
20 think that was just my attempt to give a description that it would  
21 be a lower-end home or a starter home or--there are certainly  
22 areas where you can go to that the less expensive homes that  
23 tend to be the first-time home buyers or that lower-income type  
24 people that would purchase them that are generally on smaller  
25 lots or they're town homes. And so they're quite a bit closer and

1 the setbacks are less.

2 Q. But you can't give me a price range on what even  
3 the top end of what you would consider a low-end home would  
4 be before it moved into a different category of definition or a--

5 A. I can't, because--less than a number value I was  
6 trying to put is more just the concept of that, of those smaller  
7 homes on smaller lots with shorter setbacks.

8 Q. Can you give me an idea of the percentage of  
9 homes that are being constructed by members of the Home  
10 Builders Association that would fall under your undefined  
11 category of "lower-end home"? What's the percentage? Is it 10  
12 percent? Is it 15 percent? Is it 2 percent that are constructed  
13 on an annual basis?

14 A. Again, I have no evidence to give you on that. My  
15 guess, if I was to give a guess, it's probably well over 50  
16 percent.

17 Q. More than 50 percent of the new homes constructed  
18 are lower-end homes?

19 A. Well, they would be the homes that sit on the  
20 shorter setbacks. Now, if we're talking just a lower-end starter  
21 home, no. Again, I'm not sure, I don't have that data.

22 Q. Okay. I want to make sure that I understood.

23 My one question was the percentage of homes  
24 constructed on the annual basis by your members that are  
25 lower-end homes, to use your term, and you answered more

1 than 50 percent. So is your testimony that--

2 A. No. Let me clarify that.

3 I guess when you say that, what I'm thinking is I'm  
4 thinking the number of homes that are on those shorter  
5 setbacks. So there's also some of the homes that are more of  
6 the move-up homes, but they're still on a 30- or a 35-foot  
7 setback. And, again, they also would be impacted by this quite  
8 a bit, but those starter homes, I don't know what that  
9 percentage would be.

10 Q. You don't know what the percentage of homes  
11 constructed annually are, what you call starter homes or  
12 lower-end homes?

13 A. No, I don't.

14 Q. Do you have your exhibit--I believe it's 1.3?

15 A. Yes.

16 Q. It's identified as Exhibit C to your testimony, but I  
17 think it's also identified as Exhibit 1.3.

18 And so just to make sure, this is a spreadsheet  
19 identifying service line lengths with various columns of the  
20 current cost allocation system and the proposed cost allocation  
21 system. Just want to make sure we're looking at the same  
22 thing.

23 A. That's what I've got.

24 Q. Your testimony indicated that the average service  
25 line length was 46 feet. Is that in line with what your prefiled

1 testimony was?

2 A. Yes, I believe so.

3 Q. So that would be--well, what's identified as line 46  
4 on this chart; correct? That would be--I mean there isn't a line--

5 A. Oh, yes. Right.

6 Q. So under the proposed cost to customers, under  
7 the proposed cost allocation system, your calculation is that the  
8 proposed cost would be \$750.16, is that correct, for a  
9 46-foot-long service line?

10 A. Yes.

11 Q. And currently, the customer pays \$474.62 for that  
12 same line; correct?

13 A. Correct.

14 Q. So the incremental difference is what's going to be  
15 the net result to the home buyer--

16 A. Correct.

17 Q. --which is about \$276?

18 A. Okay. Yes.

19 Q. So the mortgage on this home is going to increase  
20 by \$276 under the proposal; correct?

21 A. For a house that's sitting at that exact footage,  
22 correct.

23 Q. On the average, the average length; correct?

24 A. Yeah, but I don't think we should work with  
25 averages here, because if you're the homeowner that happens

1 to be on a 17-foot setback, that average is of no benefit to you.

2 Q. Okay. So let's go back up to the 20-foot service  
3 line length. The current cost is zero--

4 A. Okay.

5 Q. --correct?

6 A. Uh-huh.

7 Q. And the proposed cost to the customer is \$504.20?

8 A. Correct.

9 Q. And as we move down to the next one, 21 feet,  
10 current cost is \$12.87. And under the proposal, the cost would  
11 be \$513.66?

12 A. Correct.

13 Q. So as you continue to move down the chart, the  
14 incremental difference becomes smaller; correct?

15 A. Uh-huh.

16 Q. So the largest magnitude difference between the  
17 current system and the proposal is that 20-foot line length,  
18 which is \$504.20?

19 A. Correct.

20 Q. So under the current proposal, the mortgage is  
21 going to increase \$504.20?

22 A. Correct.

23 Q. Do you know the effect of that \$504.20 on a  
24 30-year mortgage?

25 A. No, I do not.



1 Q. Would you be surprised if I told you that the  
2 calculations indicate that it's \$2.71 a month?

3 A. I would be surprised that if it's that insignificant  
4 that we're having this discussion, we don't just leave it as is.

5 Q. Is it your testimony that the \$2.71 is going to be  
6 insurmountable for a proposed home buyer on a monthly basis?

7 A. Well, I think if you look at just that as a standalone,  
8 probably not, but that has to be put in with everything else that  
9 goes into that home. And so there's all kinds of just those small  
10 amounts that are the monthly fee, that pretty soon it puts the  
11 home out of reach.

12 Q. Are any of those other small inputs into the home  
13 affected by this policy?

14 A. No.

15 Q. In this exhibit, under the proposal, you have the  
16 "Proposed cost to customer" column. And those numbers, just  
17 on the first page, range from \$409 to \$1,000.52; correct?

18 A. Mine, actually, goes a little bit further, but I'm sure  
19 it's just how the pages are printed, so, yes.

20 Q. So how are those numbers calculated?

21 A. Based off of Questar's numbers, just interpolated  
22 the numbers out of Exhibit 5.

23 Q. Is it fair to say that those were calculated varying  
24 by foot?

25 A. Yes, I believe so.

1 Q. And then the next column over, "Proposed cost to  
2 Questar," in the constant \$506. It does not vary by foot?

3 A. Okay. Wait. I'm looking at a different sheet in  
4 here. Okay. Yes.

5 Q. So why did the Home Builders use that flat cost  
6 without adjusting per-foot costs as outlined in Mr. Summers's  
7 testimony?

8 A. Well, because it--again, just from experience and  
9 talking with other builders, when you're looking at what they're  
10 defining as internal costs and all the processes that go there, it  
11 doesn't seem rational to us that that works really per foot. So  
12 we did that based on what we felt was an average. We do not  
13 believe that, for example, the initial meeting with a new  
14 customer is going to vary for a customer that's putting in a  
15 really, really short line versus a customer that's putting in a  
16 really, really long line. And so it's not really an accurate  
17 number.

18 Q. You disagree with the Company's position that it  
19 varies by foot?

20 A. Yes.

21 Q. And your support for that is experience?

22 A. Well, my experience and a number of builders that  
23 are there that have been involved with this for years, yes.

24 Q. Line 286, starting page 17.

25 A. Okay.

1 Q. So there's a discussion here of main extensions.  
2 And the current main extension policy allows for a five-year  
3 window for allowances that are to be received by the customer if  
4 other connections are made to the extension; correct?

5 A. Correct.

6 Q. So hypothetically, if you have a 50-property  
7 subdivision that requires a main extension and you, as the  
8 builder, front that main extension cost, your testimony indicates  
9 that those costs initially paid by the builder--your testimony  
10 should be read in such a way that those costs are recovered  
11 from the homeowner.

12 So of our hypothetical 50-home subdivision, 2  
13 percent of that main extension cost is going to be assigned to  
14 each of the 50 properties; correct?

15 A. Yes.

16 Q. If I go back to line 84 of your testimony, it reads,  
17 "But I note that these costs"--let's go back a little bit further to  
18 line 81, "Note that throughout my testimony, I may refer to costs  
19 being paid by developers, builders, or customers; I generally  
20 refer to costs paid by the developer or builder for consistency in  
21 explanation, but I note that these costs, even if paid initially by  
22 the developer or builder, are eventually passed on and borne by  
23 the homebuyer/customer and suggest that my testimony be read  
24 accordingly"; correct?

25 A. Correct.

1 Q. So in some fashion and for hypothetical purposes,  
2 2 percent of the main line extension is going to be assigned to  
3 each of the 50 properties in our hypothetical 50-home  
4 subdivision?

5 A. Well, I'm not sure that those correlate back and  
6 forth, that on line 82, 83, 84 there, that basically what I'm  
7 saying is that the cost that has come to the builder are certainly  
8 going to be passed on to the homeowner. On this cost, it's  
9 coming back to Questar. How they allocate that cost, I don't  
10 know.

11 So as they hook into the system, then--as the  
12 homeowners hook into the system, then the money comes back  
13 through Questar.

14 Q. But the developer pays the upfront cost, correct, of  
15 the main extension?

16 A. That's correct.

17 Q. And then would allocate 2 percent of that cost to  
18 each of the 50 homes in the--

19 A. Oh, on the front end of it.

20 Q. And the sale price of the raw property or the  
21 finished home?

22 A. Well, possibly, not necessarily. If they have an  
23 assumption that they're going to get that money back, if they're  
24 going to recover it, they won't necessarily put it into the cost of  
25 the property.

1 Q. So to use your term, a savvy developer would not  
2 price his end product to recover 100 percent of his costs?

3 A. No. He certainly would, but if there's a way to  
4 recover that cost from another pot of money, he's not going to  
5 try and recover it twice. He's going to be as competitive in the  
6 market as he can, and there's a different revenue source for  
7 that.

8 Q. The savvy developer is going to rely upon some  
9 future hypothetical potential to ensure recovery of 100 percent  
10 of his costs and profit and a profit margin?

11 A. I believe that would be the whole premise of  
12 developing property.

13 Q. At the 100 percent sellout, still a savvy developer is  
14 not going to ensure 100 percent recovery of the investment in  
15 the profit margin. You're still going to have the hope for a  
16 hypothetical, additional connection to a main to put you into the  
17 black.

18 Is that the approach of a savvy developer?

19 A. No. I think they would identify where that's going  
20 to come from, but if they have a contractual arrangement with  
21 Questar that that money comes as that development fills up,  
22 then, no, that would not be put into the cost of each lot.

23 Q. Contractual arrangement with Questar for a  
24 hypothetical future connection to the main?

25 A. Well, maybe I don't understand where you're going

1 with this.

2 Q. Yeah.

3 MR. SMITH: Mr. Chairman and Commissioners, I'm  
4 going to object to this line of questioning. If he wants to  
5 propose hypotheticals, then he needs to put forth a hypothetical,  
6 not how he's doing this. It's just extremely confusing to the  
7 witness. And I'm totally confused, frankly, where he's heading  
8 on this thing.

9 THE HEARING OFFICER: Is that an objection or--

10 MR. SMITH: Yeah. I'm objecting to this line of  
11 questioning where he's, I think, trying to talk about a  
12 hypothetical without setting forth the parameters of the  
13 hypothetical.

14 MR. COLEMAN: I think I--

15 THE HEARING OFFICER: I didn't understand it to  
16 be a hypothetical. Help me, Mr. Coleman.

17 BY MR. COLEMAN:

18 Q. Okay. So my attempt is to set forth a hypothetical  
19 situation, hypothetical 50-property development--

20 A. Okay.

21 Q. --that requires a main extension. The main  
22 extension costs have to be fronted by the developer; correct?

23 A. Correct.

24 Q. Now, your testimony indicates that those costs  
25 should be assumed to be passed on to the end customer;

1 correct?

2 MR. SMITH: I'm going to object. Now we're just  
3 replowing the same ground we plowed before, because he didn't  
4 get the answers he wanted out of his hypothetical.

5 MR. COLEMAN: No. You objected to my  
6 hypothetical. I'm trying to better frame the terms and the  
7 parameters of the hypothetical.

8 THE HEARING OFFICER: It's cross-examination.  
9 Let's see if we can get through it one time clearly, at least, so  
10 go ahead.

11 BY MR. COLEMAN:

12 Q. So is that correct, that your testimony indicates  
13 those costs should be assigned that way?

14 A. Okay. Say that one part. I got confused.

15 So let me say it back to you and you tell me if I'm  
16 with you. So we have a hypothetical 50-unit subdivision.

17 Q. Correct.

18 A. And we're going to put the main in and the cost of  
19 the main is going to be--is your hypothetical question how is the  
20 cost of the main allocated?

21 Q. The first step is the initial cost of the installation of  
22 that main is paid by the developer; correct?

23 A. Correct.

24 Q. Now, the recovery of that main cost is assigned  
25 through some manner, 2 percent, to each of the 50 homes that

1 are eventually developed; correct? That is how you indicate your  
2 testimony should be read?

3 MR. SMITH: I'm going to object. That's different  
4 than what he testified to. It's assuming facts not in--I mean it's  
5 mischaracterizing his prior testimony. He specifically testified  
6 that, no, some of that cost would be allocated to future  
7 development through the contract with Questar.

8 Again, we're going back around the same horn to  
9 try to get different answers so we can do our cross-examination.  
10 That's just not proper.

11 MR. COLEMAN: I believe the answer to my  
12 question contradicts the statements in the testimony, and I'm  
13 trying to better understand how a developer assigns the costs.  
14 And if I misunderstood the answer or the original testimony, I'm  
15 just trying to understand.

16 THE HEARING OFFICER: Mr. Ford, do you have  
17 the question in mind that he asked before your counsel objected  
18 and can you answer it?

19 THE WITNESS: I think so. The problem is, how  
20 are those costs assigned?

21 Well, I don't know that they would necessarily be  
22 broken down, assigned per lot, because at that point in time,  
23 there is still another pool of money out there that will come and  
24 pay that back.

25 So if they were doing, say, curb and gutter that



1 becomes a permanent fixture and it is attached to that lot, it will  
2 have to stay with that lot, then they could certainly attach that to  
3 that lot, but this clearly has other money in a five-year period to  
4 get that money back.

5 So although I guess you could disburse it out, you  
6 could say, "Well, it's this much per lot," it's not going to be  
7 assigned there on a permanent basis because there is another  
8 revenue stream to support that expense.

9 MR. COLEMAN: I'm not certain that I can present  
10 my hypothetical in any other manner that's going to be efficient.  
11 And so I am going to end my line of questioning. The  
12 completion of my hypothetical was the end of my question. So  
13 at this point in time, I have nothing further for Mr. Ford.

14 THE HEARING OFFICER: Thank you, Mr.  
15 Coleman.

16 Any other examination? Is there redirect?

17 MR. SMITH: I have just a slight amount of redirect.

18 THE HEARING OFFICER: Let me just be clear. So  
19 we've covered both issues now; right? We've had the cross on  
20 the mains and service policy, we've had cross on the customer  
21 installed mains and service lines to all parties' satisfaction.  
22 Okay.

23 Go ahead, Mr. Smith.

24 MR. SMITH: Thank you.

25 .

1 REDIRECT EXAMINATION

2 BY-MR.SMITH:

3 Q. Do you know, Mr. Ford--and I don't know if you  
4 know this answer, but who determines when a main line is put  
5 in--who determines the size of that line? Is that the developer,  
6 the customer, Questar? Who determines how big of a line that  
7 is?

8 A. Actually, I don't know that for sure. My assumption  
9 would be Questar, but I do not know that.

10 Q. Okay. Also, are you aware of any correlation  
11 between whether someone takes advantage of energy efficiency  
12 appliances and whether or not--what the costs are of the  
13 extension of the service line?

14 A. I'm not sure I understand your question.

15 Q. You answered questions about energy efficiency. I  
16 just want to know if there is some connection that I'm missing  
17 between energy efficiency, taking advantage of energy  
18 efficiency rebates, and how Questar charges for service lines.

19 A. I don't know anything on the energy efficiency other  
20 than what's in place now. And it does not affect service lines,  
21 that I'm aware of.

22 Q. So you don't know that--it's not your testimony that--  
23 -is someone more likely to use an energy efficiency appliance if  
24 Questar were to change the way it charges for service lines?

25 A. No, I don't believe so.

1 Q. Okay. Thank you.

2 MR. SMITH: That's all I have.

3 THE HEARING OFFICER: Questions from the  
4 Commission? Mr. LeVar?

5 COMMISSIONER LEVAR: Mr. Ford, I just have a  
6 question on your proposal on self-installation.

7 If this Commission were to adopt your proposal,  
8 looking at the scope of practice rules of the Construction  
9 Services Commission, can you give me some examples of which  
10 contractor license categories would currently be able to do that  
11 work in their current field of practice under the Construction  
12 Services Commission?

13 THE WITNESS: Gosh, not without really looking.  
14 My assumption would be an E100, B100, and R100, but we  
15 certainly would want to look at that and clarify that they have  
16 the expertise and the ability to do that. I would assume some of  
17 the excavation classes as well, and I don't know their numbers  
18 off the top of my head, would be able to do it.

19 COMMISSIONER LEVAR: Thank you.

20 THE HEARING OFFICER: Thank you.

21 Anything else for Mr. Ford?

22 Mr. Ford, you're excused.

23 THE WITNESS: Thank you.

24 THE HEARING OFFICER: Thank you.

25 So have we completed what the parties intended to

1 present today?

2 MS. CLARK: Two things. The Company has Mr.  
3 Vaughn Shosted, who offered surrebuttal testimony in response  
4 to the customer bill of alternatives and he's prepared to testify.

5 Additionally, we have heard back from Mr.  
6 McCandless of the Emery County Economic Development  
7 Department and he's available by telephone and can offer his  
8 testimony later today if that meets with your satisfaction. We  
9 need to let him know when.

10 THE HEARING OFFICER: Is there any objection to  
11 him testifying by telephone?

12 MR. SMITH: None, no. It's a long ways from  
13 Castledale to Salt Lake, I can verify that, so if he could save  
14 that trip, I think it's worthwhile.

15 THE HEARING OFFICER: Thank you.

16 What are we thinking about the duration of cross  
17 for the Company's next witness?

18 MR. SMITH: You're probably talking to me,  
19 because I'm probably the only one that's doing cross. I don't  
20 think it will be lengthy. I would expect 10 to 15 minutes of  
21 cross.

22 THE HEARING OFFICER: Is that the last witness,  
23 Mr. Shosted? Is he the last witness to be heard from today?

24 MS. CLARK: I believe so.

25 MR. SMITH: Unless we do Mr. McCandless today.

1 THE HEARING OFFICER: If we can give him a time  
2 certain of 4:00, is that reasonable? And we'll take a break.

3 MR. SMITH: Yeah, that should be fine.

4 THE HEARING OFFICER: Until 4:00, after you've  
5 concluded, if there's any time.

6 MR. SMITH: That would be fine.

7 THE HEARING OFFICER: Okay. Can someone  
8 please notify him of that if he needs to--okay. Thank you. The  
9 Company has that assignment.

10 Let's be off the record.

11 (A recess was taken.)

12 THE HEARING OFFICER: On the record, Ms.  
13 Clark.

14 MS. CLARK: The Company would call Mr. Vaughn  
15 Shosted.

16 VAUGHN SHOSTED, called as a witness for and on  
17 behalf of the Questar, being first duly sworn, was examined and  
18 testified as follows:

19 THE HEARING OFFICER: Thank you, Mr. Shosted.  
20 Please be seated.

21 DIRECT EXAMINATION

22 BY-MS.CLARK:

23 Q. Can you please state your name and business  
24 address for the record?

25 A. Vaughn Shosted, 1140 West 200 South, Salt Lake

1 City, 84145.

2 Q. And by whom are you employed?

3 A. Questar Gas Company.

4 Q. What is your position?

5 A. General manager of operations support.

6 Q. Mr. Shosted, did you file surrebuttal testimony in  
7 this proceeding, consisting of five pages premarked as QGC  
8 6.0SR, on January 7, 2014?

9 A. I did.

10 Q. And if you were asked those same questions today,  
11 would your answers be the same?

12 A. They would.

13 Q. Do you adopt that as your testimony here today?

14 A. Yes.

15 MS. CLARK: Questar moves for the admission of  
16 QGC Exhibit 6.0 SR.

17 THE HEARING OFFICER: Any objections?

18 MR. SMITH: No objection.

19 (QGC Exhibit 6.0 SR received into evidence.)

20 THE HEARING OFFICER: It's received.

21 MS. CLARK: Thank you.

22 BY MS. CLARK:

23 Q. Mr. Shosted, would you please summarize your  
24 testimony?

25 A. I will.

1 In my testimony, I discuss Questar Gas's zone bid  
2 contracting process and I also outline a number of concerns  
3 about the proposal set forth by Mr. Ross Ford on behalf of the  
4 Utah Home Builders Association.

5 Questar Gas has a zone bid process every three  
6 years and encourages all qualified bidders to participate in the  
7 zone bid process. It works to help prospective bidders  
8 understand and comply with Questar Gas's bidding  
9 requirements. We are confident that we have fair pricing for  
10 installation of natural gas lines.

11 Mr. Ford proposes allowing builders to install their  
12 own natural gas facilities. The Company is very concerned  
13 about this approach, first and foremost, because of safety.  
14 Installing natural gas facilities is technical work and is subject  
15 to a number of state and Federal regulations. The Company  
16 requires highly-trained and DOT-qualified contractors to install  
17 its facilities. And by regulation, it inspects the work.

18 The Company is concerned that the builders'  
19 subcontractors may lack the qualifications and expertise to  
20 adequately perform the work. The Company also believes that  
21 the builders wouldn't see any price benefit from installing their  
22 own facilities.

23 The Company's contractors enjoy economies of  
24 scale related to the larger volume of work they perform in a  
25 specific geographical area. I don't believe that builders would

1 receive those same benefits and their costs could be higher.

2 Finally, our zone builders become familiar with the  
3 geography and geology and the Company's system in its zone.

4 They develop a relationship with local municipalities and  
5 governmental entities. This familiarity helps streamline the  
6 construction activities in that area from permitting to  
7 installation. This creates benefits for Questar Gas, its  
8 customers, and the builders themselves.

9 Mr. Ford suggests an alternative, that builders  
10 could select from a list of approved contractors. Though this  
11 may address some of the concerns, I don't believe that the  
12 builders would receive the benefit of the economies of scale.  
13 They also may not receive the benefits of the contractor's  
14 familiarity with the area and involved municipalities. The  
15 Company does not believe that the builders would enjoy any  
16 cost benefit under this approach.

17 And this concludes my summary.

18 MS. CLARK: Mr. Shosted is available for  
19 cross-examination.

20 THE HEARING OFFICER: Cross-examination? Mr.  
21 Smith?

22 MR. SMITH: Thank you. I have some questions.

23 CROSS EXAMINATION

24 BY-MR.SMITH:

25 Q. Mr. Shosted, you've been sitting here, so you know



1 who I am.

2 A. Yes, sir.

3 Q. You know who I represent; right?

4 A. Yes, sir.

5 Q. And you've come to a number of conclusions in  
6 your testimony, would that be accurate, that you made  
7 conclusions about various things?

8 A. Yes, sir.

9 Q. That's based on your experience and what else?

10 A. Almost 40 years of experience in the contracting  
11 business here at Questar Gas.

12 Q. And what else?

13 A. And helping with all the--actually, I did the work for  
14 years, same work.

15 Q. That's your experience, though.

16 I mean do you have any studies? Did you look at  
17 what other places do, how they handle it? Have you done--

18 A. Yes, sir.

19 Q. --comparisons?

20 For example, how do they do it in Nephi?

21 A. Nephi Gas?

22 Q. Yeah, Nephi Gas.

23 A. I don't know.

24 Q. That's right here in our state and you don't know  
25 how they do it?

1 A. No, sir.

2 Q. Who have you compared it with?

3 A. Well, just from past experience that we've had.

4 We've done basically the same exact thing. Years ago, we had  
5 contractors, we had several contractors out there that do some  
6 of our work, based on what some of the cities would like us to  
7 do. So we did that. We let some of--we had up to 16  
8 contractors doing our work for us, contractors that were kind of  
9 homegrown, you might say.

10 And what we experienced with that is, actually,  
11 contractors walking away from the job because they couldn't  
12 finish it for us and leaving us high and dry in the middle of the  
13 year. And then it cost us more to go find someone else to finish  
14 the job.

15 Q. But that would be the home builder's, developer's  
16 problem, not yours. If he hired the contractor, it would be his  
17 job to make sure the job gets done, not yours; correct?

18 A. No, sir. We're responsible to make sure that that  
19 line, whether it be a main or service, is put in correctly and done  
20 right. And it would be a big problem for us to have to--  
21 especially schedule with a home builder whenever they would  
22 like us to come out and do that job to inspect it, because every  
23 one of these service lines, every foot of it has to be inspected.

24 Q. And that would still be the same under the Home  
25 Builder's proposal; correct?

1 A. Don't know.

2 Q. Well, I mean there's Federal laws--

3 A. There is.

4 Q. --that control these pipelines; correct?

5 A. That's my concern.

6 Q. And you have the right to inspect them all under  
7 state law; correct?

8 A. We are required to inspect them all, yes, sir.

9 Q. Okay. No one's proposing any change in the  
10 Federal laws or the state law, are they, that you're aware of?

11 A. No. The concern is that we won't have qualified  
12 people to do the job.

13 Q. And how do you make sure people are qualified  
14 when they're allowed to be zone bidders?

15 A. We've qualified those people over a long, long  
16 period of time to gain the efficiencies that we have today,  
17 because at least when a contractor first gets their qualification,  
18 they aren't very efficient at all.

19 Q. And how many zones do you have in Questar?

20 A. There's nine.

21 Q. Which zone is the Salt Lake area?

22 A. Zone 4 and 5.

23 Q. Four and five.

24 When you went out and sought out qualified people  
25 who try to get qualified for the, you know, three-year period,

1 how many contractors were there?

2 A. Let's see. We had approximately ten.

3 Q. How about in the leased?

4 A. The leased don't?

5 Q. Yeah, where you had to lease the number of people  
6 that were--

7 A. Probably five, maybe six. I can't give you an exact  
8 number.

9 Q. So throughout the state, there's probably between  
10 five and ten contractors that you feel are qualified to do this  
11 work?

12 A. Yes, sir.

13 Q. But you want to do it on a three-year basis instead  
14 of letting the home builders do it on a case-by-case basis, if  
15 they wanted to try to compete?

16 A. It's our opinion, or my opinion, that the economy of  
17 scales helps that process be done more efficiently and at less  
18 cost.

19 Q. Well, if you were correct, wouldn't your contractor  
20 always win every bidding process, because the home builders, if  
21 they bid it against your contractor, they'd always be the lowest  
22 one, if you're correct; right?

23 A. In my opinion and based on experience, we have  
24 had people beat or do better than that, yeah, but they can't  
25 finish the job.

1 Q. So how about the nine people that didn't qualify  
2 here in this zone of Salt Lake, they couldn't finish the job?

3 A. They may have got a job in another zone.

4 Q. Well, I guess what I'm trying to understand is why  
5 you decide that only your picked contractor can finish the job  
6 when there's lots of other people that are qualified to bid on the  
7 job can't finish your job, in your opinion.

8 A. We're always looking for qualified contractors and  
9 we had several of them--we just finished a zone-bid process just  
10 at the end of last year. And we went out and looked for--and  
11 with the help of some of the cities and municipalities and our  
12 managers, we found some that were interested in bidding and  
13 we let them bid.

14 Q. I know, but I think the difference--maybe we're  
15 talking around each other, but I'm just suggesting that there  
16 might be a better way to do this on a job-by-job basis with the  
17 same group of qualified contractors. And you're telling me that,  
18 "Well, they're not our zone--you know, if they're not qualified  
19 through our zone, they're not qualified--they won't finish the  
20 job."

21 A. Well, I'm not saying they won't, but it's been our  
22 experience that some of those contractors, at least the ones  
23 that we don't have now, have had problems finishing their work  
24 or getting the job done correctly and efficiently. And prior to  
25 that, we had some safety issues with them.

1 Q. But right now they're not even allowed to do any  
2 jobs?

3 A. Not anymore.

4 Q. And how long has that been in place?

5 A. The question again. How long has what been in  
6 place?

7 Q. This zone-bidding situation that Questar has.

8 A. Oh, since 1985.

9 Q. Do you think maybe the world's changed a little bit,  
10 as far as the ability of contractors with all of the other  
11 underground facilities that we have now that we didn't have in  
12 1985, that maybe some of these other folks that are bidding  
13 could actually finish jobs?

14 A. I think if you understand that putting in a gas line is  
15 a whole lot different than water, sewer, telecommunications, or  
16 anything like that, that there's a lot more regulation and a lot  
17 more safety issues that have to go into it. And, you know, we  
18 eventually own these lines and we can't take any chances with  
19 safety.

20 Q. But you, yourself, determined there's at least nine  
21 contractors in the Salt Lake Valley who would be qualified to do  
22 this work; correct?

23 A. At least, yes.

24 Q. But you don't want to give them a chance to bid on  
25 specific jobs, because you just don't think it's going to save

1 anybody any money; is that right?

2 A. We give all those people a chance and anyone that  
3 wanted to bid a few months ago to do that.

4 Q. But you only have one successful bidder for the  
5 whole Salt Lake Valley?

6 A. Two.

7 Q. Two. I'm sorry. Two successful bidders in the  
8 whole Salt Lake Valley?

9 A. Yes, sir.

10 Q. Those other eight people or seven, or whatever it  
11 is, they're cut out of doing any work for Questar--

12 A. In the Salt Lake valley.

13 Q. --in the Salt Lake valley?

14 A. Yes, sir.

15 Q. But there's still a pool of people out there,  
16 companies out there, that seem to have all the qualifications,  
17 but you don't want to give them a chance other than once every  
18 three years?

19 A. I'll tell you why we do it every three years. And the  
20 big reason for that is when we mobilize or when a contractor  
21 comes in and mobilizes, it costs him a lot of money. If he  
22 knows he's going to have a fixed bunch of work in a fixed area,  
23 he's going to be able to get the people that he needs and be  
24 able to stay there for a period of time and get the job done more  
25 efficiently at a lower cost. We feel like we've got the lowest

1 cost--

2 Q. How many competitors does Questar have in  
3 providing natural gas within its tariff service area?

4 A. Let's see. As far as I know right now, there are  
5 two.

6 Q. And who are those?

7 A. Nephi and Eagle Mountain.

8 Q. And those are just for those two communities. So  
9 anywhere else, there's no competition?

10 A. Oh, you can always go electric or--

11 Q. I said gas providers, though.

12 A. Yes, sir.

13 Q. And that's kind of different than all the rest of our  
14 economy works, isn't it?

15 A. No, sir. That's why these good gentlemen are here,  
16 to take care of the--

17 Q. How many other industries have--you know, like, for  
18 example, if I want to buy a computer, do I have to buy a  
19 computer from a certain provider?

20 A. No, sir, but the problem being is if you have 14 gas  
21 mains in the road, that doesn't make a lot of sense, either.

22 Q. I understand that. I'm just trying to say, don't you  
23 think that if we had a little more competition in the bidding  
24 process, we can lower prices, but obviously you don't?

25 A. Well, we have competition in the bidding process.



1 Q. Right. Once every three years?

2 A. Yes, sir.

3 Q. And that's it?

4 A. For three years, it's anything that's new, new  
5 facilities, but we have replacement and line extensions and that  
6 kind of thing that are for maintenance that we bid out weekly.

7 Q. Okay, but as far as what we're talking about today,  
8 whoever gets the bid is in for three years; correct?

9 A. Yes, sir.

10 Q. And since 1985, have you checked around to see  
11 what other utilities are doing around the country?

12 A. Absolutely.

13 Q. And are they doing the same thing as yours or  
14 different things?

15 A. Some do it the same.

16 Q. Do they all do it the same?

17 A. No, sir.

18 Q. So maybe some places may have found a different  
19 way to do things just as effectively?

20 A. Yeah. The ones that I have talked to do it the way  
21 we used to do it, which we've found is not very efficient, and  
22 that's bidding out everything.

23 Q. That's you're bidding it out, correct, not the  
24 developer?

25 A. Yes, sir.

1 Q. Developers do a lot of bidding, you understand  
2 that, don't you? They get a lot of bids from a lot of different  
3 contractors?

4 A. Yes, sir. We do, as well.

5 Q. Okay. And you don't think they can do as good a  
6 job as you've done?

7 A. I'm not saying that. I'm saying that right now that  
8 we have a great process out there. And to turn that loose to a  
9 developer or builder may cause us some problems, as far as  
10 getting the work done.

11 Let me just give you an example. We respond to  
12 leaks every day, every single day. And we respond to fuel line  
13 leaks, which are gas lines that we don't put in. And that gets to  
14 be a very high percentage of the leaks we respond to. We don't  
15 put those in.

16 Q. And I take it the lines you put in also get leaks on  
17 occasion?

18 A. Not to the highest percentage.

19 Q. Okay. And these are fuel--I don't even know what a  
20 fuel line leak is, so you're going to have to help me.

21 A. A fuel line is a line that--someone else runs  
22 besides us. It's a lower-pressure line. And in some occasions,  
23 they have a meter on one end of the building, you have to get  
24 gas from the other end of the building, and they have to do it  
25 underground.

1 Q. And what's the percentage of those lines leaking?  
2 So those are different types of lines than you're putting in?

3 A. Those are fuel lines, yes, sir.

4 Q. They're different.

5 And do you have a percentage difference for me  
6 that you can tell me?

7 A. No, I don't. No.

8 MR. SMITH: Okay. I don't think I have any other  
9 questions. Thank you.

10 THE HEARING OFFICER: Redirect?

11 REDIRECT EXAMINATION

12 BY-MS.CLARK:

13 Q. Yes. I just have a couple of questions.

14 Mr. Shosted, are you familiar with the testimony  
15 that Austin Summers submitted in this matter on this issue?

16 A. Yes.

17 Q. And are you familiar with the notion or the proposal  
18 in this case that jobs over \$200,000 could be special bid? Are  
19 you familiar with that as well?

20 MR. SMITH: That's outside the scope of my  
21 cross-examination, so I object to that.

22 MS. CLARK: I disagree. He's spoken at length  
23 about how builders can do it better and can bid it better. And  
24 I'm simply giving Mr. Shosted the opportunity to provide  
25 evidence to this forum that Questar is willing to test that theory

1 on the bigger jobs.

2 THE HEARING OFFICER: You can answer the  
3 question, Mr. Shosted.

4 THE WITNESS: Yes. Anything over \$200,000 the  
5 builder can request a bid with qualified contractors.

6 MS. CLARK: I have no further questions. Thank  
7 you.

8 RE CROSS EXAMINATION

9 BY-MR.SMITH:

10 Q. Don't you think you're going to have the same  
11 problems in the parade of hurdles that you just gave us a few  
12 minutes ago about jobs not getting done and not being saved?

13 A. Qualified contractors.

14 Q. So a qualified contractor could build something  
15 that's more than \$200,000, but a qualified contractor can't build  
16 something less than \$200,000?

17 THE HEARING OFFICER: A little slower, Mr.  
18 Smith.

19 BY MR. SMITH:

20 Q. In your opinion, it's okay to have a qualified  
21 contractor bid on something more than \$200,000 but not on less  
22 than \$200,000?

23 A. That's not what I'm saying. All of our contractors  
24 are qualified.

25 Q. So if the same qualified contractors bid on

1 something less than \$200,000, you wouldn't have any problems  
2 with that?

3 A. One more time on the question.

4 Q. If the same qualified contractor bid on something  
5 for less than \$200,000, you wouldn't have a problem with that?

6 A. We're going to give that a try.

7 Q. No, you're not. You're not going to try if it's less  
8 than \$200,000.

9 A. Or over 200,000. I'm sorry.

10 THE HEARING OFFICER: You can't both talk at  
11 once.

12 MR. SMITH: The state got rid of court reporters, so  
13 it's not--

14 BY MR. SMITH:

15 Q. So you're saying it's okay for over 200 but not for  
16 under 200?

17 A. We're going to give that a try.

18 Q. But you're not giving it a try for under 200; correct?

19 A. That's right.

20 Q. Thank you. That's all I have.

21 THE HEARING OFFICER: Thank you.

22 Questions?

23 Thank you, Mr. Shosted. You're excused.

24 THE WITNESS: Thanks.

25 THE HEARING OFFICER: Perfect timing.

1

Do we have Mr. McCandless?

2

Let's be off the record.

3

(A recess was taken.)

4

THE HEARING OFFICER: We'll be on the record.

5

The record will reflect that we have Mr. Michael

6

McCandless of Emery County, the economic development

7

director and county planner, on the telephone. And Mr.

8

Coleman is going to help him lay a foundation for receipt of his

9

prefiled testimony into evidence.

10

Thank you, Mr. Coleman. Just before you do that, I

11

should swear him.

12

MR. COLEMAN: Please do.

13

THE HEARING OFFICER: That's appropriate.

14

MICHAEL McCANDLESS, called as a witness for

15

and on behalf of Emery County Economic Development

16

Department, being first duly sworn, was examined and testified

17

as follows:

18

THE HEARING OFFICER: Thank you very much.

19

Pardon me, Mr. Coleman. Your witness.

20

MR. COLEMAN: Thank you, I appreciate that.

21

DIRECT EXAMINATION

22

BY-MR. COLEMAN:

23

Q. Mr. McCandless, would you state your name,

24

professional position, and office address for the record, please?

25

A. My name is Michael McCandless. I am currently

1 the economic development director for Emery County. I've  
2 served in that position for approximately ten years, based in  
3 Castledale, Utah.

4 Q. Thank you.

5 And as we move forward, I would ask that you keep  
6 in mind we have a court reporter who's been here all day. So if  
7 you might speak just a slight bit slower to allow her to take the  
8 recording, I'm sure all of us would be grateful.

9 A. Sure.

10 Q. Did you cause to be filed in this case, on January  
11 6, a document entitled "Rebuttal Testimony of Michael  
12 McCandless"?

13 A. Yes, I did.

14 Q. And that testimony composes 11 pages; correct?

15 A. That is correct.

16 Q. Do you have any corrections to that document at  
17 all?

18 A. The only correction that I would add is that  
19 probably to be appropriate that should--and I did amendments in  
20 the e-mail, it should be titled as "surrebuttal" instead of true  
21 rebuttal, because I was responding to previous testimony.

22 Q. Thank you.

23 So with the correction of the title to "Surrebuttal  
24 Testimony of Michael McCandless," if I asked you the same  
25 questions that are identified in that surrebuttal testimony today,

1 would the answers be the same?

2 A. Yes, they would.

3 Q. And do you adopt your testimony in the surrebuttal  
4 testimony of Michael McCandless in this proceeding today?

5 A. Yeah. I'd like to enter that into testimony.

6 MR. COLEMAN: The Office, on behalf of Emery  
7 County, would move for the admission of the surrebuttal  
8 testimony of Michael McCandless into the record.

9 THE HEARING OFFICER: Any objection?

10 MR. SMITH: No.

11 THE HEARING OFFICER: It will be received into  
12 evidence.

13 (Emery 1.0 received into evidence.)

14 MR. SMITH: I have no objection.

15 THE HEARING OFFICER: Thank you.

16 BY MR. COLEMAN:

17 Q. Mr. McCandless, do you have a summary prepared  
18 of your position?

19 A. Excuse me. One more time, I did not hear that.

20 Q. Do you have a summary prepared of your position  
21 that might have been--

22 A. Extremely brief.

23 Q. That would be grateful.

24 A. Emery County has been communicating with  
25 Questar for a number of years about line extension policy.



1 Based on that history of communication, we feel that the  
2 solution that has been presented in this case is the best way for  
3 us to achieve the goals that we have.

4 We see these changes to line extension policies,  
5 particularly for the groups that I represent in rural Utah, maybe  
6 if not the final solution, but an absolutely important part of  
7 ensuring that we're on the right path to fixing line extension  
8 policies that we believe are inequitable, in particular, for rural  
9 customers who are typically farther away from main lines or  
10 from adequately-sized main lines.

11 Once again, we don't necessarily believe this is the  
12 conclusion of what we've negotiated or communicated with  
13 Questar, but we believe this is an important step in that  
14 direction.

15 And so what is included in the recommended  
16 change to the tariff is supported by Emery County, as well as  
17 other counties that we communicate with in my role as--on the  
18 Governor's Rural Partnership Board.

19 In reference to the other testimony that we were  
20 doing our surrebuttal to, our biggest concern there is that we  
21 have the ability to show that that testimony was focused on  
22 low-income, poorer classes of people. We believe that many of  
23 the lowest or poor--the poor customers that may be affected  
24 actually reside in our territories and that a change in this policy  
25 is actually beneficial to those people that are, quote/unquote,

1 low income. We see this as an advantage, not just to low  
2 income in our area, but low income in many of the areas of the  
3 state.

4 With all that, I believe that would be all that I would  
5 include in my testimony.

6 Q. Do you have a summary with respect to the position  
7 that you took on the self-installation issue, just for purposes of  
8 completeness, or would you like your testimony to stand as  
9 presented?

10 A. I would ask it to stand as presented.

11 Q. Thank you.

12 Do you have any further additions to your  
13 testimony?

14 A. No. Not at this time, no.

15 MR. COLEMAN: At this time, perhaps unbeknownst  
16 to him, I would present Mr. McCandless for any  
17 cross-examination that may be necessary.

18 THE HEARING OFFICER: Are there people that  
19 have cross-examination for Mr. McCandless?

20 Mr. Smith?

21 CROSS EXAMINATION

22 BY-MR.SMITH:

23 Q. Mr. McCandless, this is Craig Smith. How are you  
24 today?

25 A. I'm good, Craig. Thank you.

1 Q. It's good to talk to you. We know each other quite  
2 well, as I guess is no secret.

3 Just a couple of questions. One is, I think your  
4 concern is that a lot of people in rural areas are farther away  
5 from main lines and have longer service lines. Is that your  
6 concern?

7 A. That's correct. And in relation to that, as a result  
8 of the way the current system is configured, as a result, the  
9 credit system, if you will, does not provide, you know,  
10 necessarily the same amount of value just because of the lack  
11 of density.

12 Q. Right.

13 In your experience, are the service  
14 lines--is it because they have larger lots or is it because--what  
15 is the reason why your, you know, experience is that they have  
16 generally larger--longer, I should say, service lines than in more  
17 urban areas?

18 A. It's a combination of both lower density of lots.  
19 And so, you know, we will see in many of the communities that  
20 are served in much of rural Utah, but specifically my county, you  
21 may have a majority of the given lots in a community that may  
22 only have four or five homes in a given block, city block. And  
23 then those homes are typically set back significantly farther  
24 away from a curb or a main road than would be customary in a  
25 more metropolitan setting. So as a result, that density, which is

1 typically included in zoning for those rural areas, is going to be  
2 farther.

3 And then second to that, we also have a  
4 significantly higher amount of people just along roadways or  
5 lower incorporated areas. We have areas of, just as an  
6 example, a community like Elmo, where there's really only two  
7 main streets, but gas service is provided along several miles  
8 along the highways, along the roadways.

9 Typically, those are farm homes, those people are  
10 set back, because of the nature of their living circumstances,  
11 significantly farther away from the homes. And that is the  
12 nature of the rural community in which we live.

13 Q. For people whose properties adjoin the main line  
14 that's in the road, would it be their choice as to where they  
15 locate their residence, whether it's close to the road or farther  
16 back away from the road on their lot?

17 A. I would tell you that in the majority of cases it  
18 would be not solely their choice. In most of the cases, the  
19 zoning rules and restrictions within these communities would  
20 require them to be farther away than, for instance, what is  
21 included in the testimony, about 25 feet from the service line.

22 As an example, in Emery County--and I am the  
23 zoning administrator for Emery County--we require that they be  
24 at least 55 feet away from the road for that dwelling presence.  
25 So we would not even allow, under our zoning rules, which is no

1 fault of the homeowner, that they actually be as close as is  
2 customary under what was presented in testimony about the 25  
3 feet from the service line. That would not even be allowed  
4 under our zoning restrictions.

5 Q. What would you say would be kind of the average  
6 in Emery County, as far as the distance of the service line, the  
7 length of the service line?

8 A. I would say in the incorporated community, so  
9 Huntington, Castledale--Green River, you know, might be  
10 affected in the future, I would say that that distance is going to  
11 be much closer to 100 to 120 feet. We have a lot of--once  
12 again, because of the large lots, we're going to be close,  
13 probably be closer to 100 feet.

14 In the unincorporated area, so like around Elmo,  
15 around Huntington, but where we do have natural gas, that line  
16 extension distance for those customers is probably going to  
17 exceed 150 to 200 feet.

18 Q. How many people would you say would be within,  
19 say, 64 feet of the main line?

20 A. How many feet, again, Craig? I'm sorry.

21 Q. Sixty-four.

22 A. I would still say that it represents well over half. I  
23 mean we still have a majority of our population inside of those  
24 limits, it's just that we have enough of those deep lots that  
25 pushes your raw average out a ways. So, you know, you may

1 have some areas in which you've got what we would call high  
2 density, which might be four lots on a block, but the majority of  
3 the rest of town is going to be--you know, you're going to have  
4 two houses on the front and then go around the corner and two  
5 more. So there's probably about half of them that fit into that  
6 category, I would guess.

7 Q. Okay. Let me switch gears a little bit and talk  
8 about--I want to ask you to explain your testimony regarding  
9 the--or the ability of others to do construction of their service  
10 lines and main lines.

11 Could you explain that a little bit?

12 A. Well, I will just tell you that as a part of our  
13 communication with Questar, this has been an issue in which  
14 we've expressed an interest for a long time. We have been  
15 concerned with some of the policies of Questar in terms of  
16 construction costs.

17 We have had numerous discussions about this  
18 topic. And as a result of those discussions, we have reached  
19 out to numerous contractors, construction, pipeline companies,  
20 and others who have the ability to provide certified grade  
21 installation of natural gas pipelines.

22 In particular, we've talked to companies that do that  
23 in other states or are doing it in similar enough profession that  
24 we believe they have those certification skills. We've actually  
25 gone so far as to try and link some of those contractors up to

1 get them on to Questar's preferred network.

2 As a result of those communications we've had, we  
3 believe that there is an adequate proof of an expertise and  
4 companies that have that expertise, that there is the ability  
5 within, even rural Utah, to have self-installations, if you want to  
6 call it that. Where the contractors help more with contractors'  
7 installation, we can reduce the cost of line extension to a  
8 significant number of customers.

9 Q. Do you have any thoughts about how much could  
10 be saved if customers or developers are able to bid out specific  
11 jobs?

12 A. I can only give you my own personal experience in  
13 this case, and Questar is aware of my own personal situation. I  
14 am not a Questar customer currently, I live approximately one  
15 block out of city limits of the town of Huntington. I'm about  
16 1100 feet from the service line.

17 I will tell you that we have gone through that  
18 process. And in my particular case, the savings would be about  
19 two-thirds. So my cost on that particular savings would be--I  
20 could do it for one-third of the cost of what I have been given a  
21 quotation by Questar.

22 Q. So you wouldn't--

23 A. I am most comfortable giving my own situation.

24 Q. So you wouldn't agree with testimony by Questar  
25 that they think it actually saves money for them to have only one

1 contractor that's allowed to do work?

2 A. Well, our concern and our experience has been  
3 around that particular area. First of all, we believe that there is  
4 adequate expertise. I think their biggest concern is whether or  
5 not they can do it and also provide the necessary inspections  
6 and those kinds of things. And that is the part of that part of  
7 that cost that we've structured--I do not know the answer,  
8 currently, how much we would have to reimburse Questar for  
9 inspection and review and certification, because they are taking  
10 on that portion of responsibility.

11 So along those lines, I can't provide any testimony,  
12 but I can tell you that from companies that we have worked with  
13 that are doing installation in other areas, we have seen those  
14 costs be substantially lower. I mean I will tell you that the most  
15 recent quote that I've received for my own personal residence  
16 was in excess of \$30,000 to go 1100 feet. We believe there are  
17 a number of firms that can do it well below that cost and provide  
18 for inspections like Questar.

19 MR. SMITH: Thank you. That's all I have.

20 THE HEARING OFFICER: Thank you.

21 Other examination?

22 MS. CLARK: Yeah, I just have some clarifying  
23 questions.

24 CROSS EXAMINATION

25 BY-MS.CLARK:



1 Q. Mr. McCandless, this is Jennifer Clark and I'm an  
2 attorney for Questar Gas Company. And the anecdotal evidence  
3 that you just provided us regarding your own experience, how  
4 long ago did you seek these quotes?

5 A. The most recent one is now approximately 18  
6 months, it was about 18 months ago was the most recent. I've  
7 actually had them bid it four different times, and that was the  
8 most recent.

9 Q. Okay. So it's fair to say that those bids would have  
10 come in under the existing service and main policy that includes  
11 the series of allowances, for example?

12 A. That's correct. It included the allowances, as they  
13 were available, at least at the time they did the quotation.

14 Q. And you have not had such a bid done under the  
15 proposed policy that would be outside materials and contractor  
16 expenses only; is that true as well?

17 A. That's correct.

18 Q. Okay.

19 MS. CLARK: I don't have any other questions.

20

21 THE HEARING OFFICER: Any further  
22 cross-examination? Any questions from the Commission?

23 Thank you very much, Mr. McCandless. You're  
24 excused.

25 THE WITNESS: Thank you for accommodating my

1 schedule. I definitely appreciate it.

2 THE HEARING OFFICER: Thank you. You're  
3 welcome to stay on the line if you want to monitor, but we're  
4 about concluded for the day, I think.

5 THE WITNESS: I'm on the highway next to the  
6 town of Woodside, which is no longer a town, so I'm probably  
7 going to jump off.

8 MR. SMITH: Drive safely.

9 THE HEARING OFFICER: Ms. Clark?

10 MS. CLARK: For clarification purposes, was his  
11 testimony admitted? It was, was it not?

12 MR. SMITH: Yes, it was.

13 MS. CLARK: Thank you. I just wanted to be sure.

14 THE HEARING OFFICER: In fact, just to be  
15 comprehensive, all of the prefiled testimony, direct, rebuttal,  
16 surrebuttal that pertains to the issues on the matrix, so  
17 everything basically, exclusive of cost of capital, has been or  
18 should have been received in evidence.

19 Is there anyone that has a view different than that,  
20 just to make sure that we have it all in?

21 Okay. Thank you.

22 Is there anything else for us to take up today?

23 MR. SMITH: I just have a question about kind of  
24 scheduling. We've covered the issues that we're most  
25 interested in. And while I'm sure the rest of this will be very

1 fascinating, we would like to maybe not sit through all of that.

2 Is there going to be a chance for summation at the  
3 end or what's the--you know, something where we can present  
4 our final arguments or is that going to be in written form?

5 We just don't want to miss something that we need  
6 to do, but also don't want to have our client incur costs for, you  
7 know, things that aren't important for our client.

8 THE HEARING OFFICER: Thank you, Mr. Smith.

9 We have not yet addressed the issue of whether  
10 there would be either oral summations or written briefs of some  
11 kind.

12 Does anyone have a position on that?

13 Pardon us just a second.

14 (Discussion held off the record.)

15 THE HEARING OFFICER: In our view, because of  
16 the way that the process has been bifurcated and the fact that it  
17 will be taking place on different days and to accommodate the  
18 schedules of the various parties, we're not inclined to have oral  
19 summations. We are certainly willing to receive, for example, a  
20 ten-page written summary of the party's position, if parties have  
21 interest in providing something like that.

22 Is there a desire to do that?

23 MR. SMITH: Yeah. We would like to have--and  
24 written is fine. And I understand that that's why there will be a  
25 preference, but we would like to have that since we're kind of

1 one issue out of many issues, and be able to coalesce our issue  
2 together into one document with the evidence that we think  
3 came in today would be very helpful to us. And so we would  
4 appreciate the opportunity to do that and would be happy to do  
5 it on whatever schedule the Commission thinks is appropriate,  
6 following the completion of the hearing.

7 THE HEARING OFFICER: Other counsel have  
8 positions on that?

9 MS. CLARK: Questar is very comfortable with the  
10 record, as it stands, and we feel that the witnesses have ably  
11 presented the positions today. However, if the Commission  
12 would find anything helpful, we'd be happy to accommodate or  
13 provide whatever you find helpful.

14 MR. JETTER: Just a few thoughts from the  
15 Division. We've prefiled quite a bit of testimony and also have  
16 had the witnesses here, so I'm not sure it's necessary to provide  
17 a recap. It causes some delay and something to consider for  
18 the Commission, just waiting for the transcript so that we can  
19 accurately add whatever quotes we need. Maybe a little bit of a  
20 concern.

21 The other concern that we have is on the specific  
22 issue where there's a one-issue party, ten pages is a long  
23 document on a specific issue, whereas something--a party like  
24 the Division or Office or the Company, who is recapping all the  
25 positions, may have a difficult time providing equal depth on

1 each issue.

2                   However, that said, we're happy with whatever the  
3 Commission would like to do. We'll keep our page limit to  
4 whatever you would like it. And if you think it would be helpful,  
5 we'd be happy to provide summation.

6                   MR. COLEMAN: I think the Office's position would  
7 be something similar, that the record is quite extensive with  
8 respect to prefiled testimony, as well as the testimony presented  
9 today. I think the Office's position would be that further briefing  
10 would be unnecessary. At the risk of sounding like my  
11 four-year-old, I'm the only attorney for the Office and Rocky  
12 Mountain Power just filed a rate case.

13                   So I think, as the record stands, obviously would do  
14 whatever the Commission feels would be helpful and beneficial  
15 for its evaluation.

16                   THE HEARING OFFICER: That, I think, alters the  
17 complexion of--Mr. Smith, we want to provide you the  
18 opportunity to summarize for us, and maybe we should just do  
19 that orally.

20                   Is it something you could do now or after a short  
21 break or do you--

22                   MR. SMITH: That would be fine. Whatever you  
23 think is the most help, I'm happy to try to do. I just think it does  
24 help--just like in a court case, they always have closing  
25 arguments. The reason they do, it's not because the record's

1 not complete. The record's complete in those cases just as  
2 well. It's just to try and connect the dots the way, you know,  
3 they should be connected, at least in that side's view.

4 And that's really what it's all about. I'm not trying to  
5 prolong things or make things difficult or add new testimony. I  
6 can't do that, the testimony is in. It's just like, like I say,  
7 connecting the dots. And whatever you think would be the best  
8 way to connect the dots, I'll defer to the Commission as to  
9 what's most helpful for you to connect those dots.

10 THE HEARING OFFICER: Well, maybe the most  
11 efficient thing would be for us to take a brief recess, come back  
12 together, and let each counsel, to the extent you want to,  
13 describe what you think are the key points that the Commission  
14 should consider from the evidence that's been received today.

15 We're not going to disregard things that you don't  
16 mention. We understand and we'll have the record, we'll have  
17 the transcript. We've heard all of the evidence, but to spare Mr.  
18 Coleman having to write--and perhaps it's a good compromise to  
19 at least keep you all for another few minutes and to allow you  
20 each to address it orally, what you think is most salient today.

21 MR. SMITH: Thank you for that opportunity.

22 THE HEARING OFFICER: So what I'm going to  
23 propose is we take a ten-minute break. We'll start at 20 to 5:00.  
24 And, again, we've been here all day, mentally and physically, so  
25 we've heard you. So I'm encouraging you to be concise, to

1 focus on the things that you want to make sure we didn't miss  
2 that you think are important to our understanding of your  
3 parties' positions.

4 All right. Thank you very much. We'll be off the  
5 record until 20 to 5:00.

6 (A recess was taken.)

7 THE HEARING OFFICER: On the record.

8 I've been asked to mention that this is not  
9 mandatory, that is, the summaries are not, but we'll be pleased  
10 to hear whatever counsel would like to emphasize to us at this  
11 point. We'll go in the same order we've been in all day.

12 So, Ms. Clark?

13 MS. CLARK: Thank you.

14 If there is one message Questar Gas Company  
15 would like the Commission to take back with it today, one theme  
16 to our case, it is that those who cause the cost should bear the  
17 cost. And you can see that running through all of the issues you  
18 see on this issue matrix today. And I'll just go in the order,  
19 briefly, that we talked about and in which you received  
20 testimony.

21 The first would be interruptible sales customer  
22 commodity rate. You received testimony today that evidences  
23 that customers under the present scheme, particularly those  
24 who take their interruptible service load in the summertime, are  
25 paying less than the dollars the Company is spending procuring

1 that commodity. And the Company simply believes that those  
2 customers ought to pay for the costs that they cost. They ought  
3 to be paying for gas, what the Company does to procure it for  
4 them.

5 The same can be true for the second issue on our  
6 list. The second issue is that main and service line policy. I  
7 think Mr. Smith, through cross-examination, ably illustrated  
8 some of the troubling aspects of the current policy.

9 So the Company went in and evaluated this issue,  
10 said, "What do we really think is appropriate?" We really think  
11 Mr. Summers would tell you that those who caused the costs  
12 should bear those costs. And recognizing historically and that  
13 there is strong policy for some sharing of costs between existing  
14 customers and those new customers that are building homes,  
15 the Company did some analysis and determined that it thought  
16 the very best approach was that the pipe and the shade and the  
17 external contractor costs on any given job would be borne by  
18 the person who caused that given job.

19 And the hope is that this policy would eliminate  
20 some of the interclass subsidies. So some of those rural  
21 developers that Mr. McCandless spoke of would be receiving a  
22 better per-foot cost and wouldn't be paying a higher per-foot  
23 cost than those developers of shorter service lines under the  
24 current policy.

25 And a similar statement can be made with respect



1 to mains; again, those who are building the mains would pay for  
2 the costs associated with that particular project. They would not  
3 be paying a cost under a complex formula like they are now.

4 And finally, the self-install issue. Questar Gas has  
5 had some negative experience historically with a menu of  
6 contractors, if you will. And I think Mr. Shosted has spoken  
7 about that today.

8 With regard to a self-install, Questar is deeply,  
9 deeply concerned about safety implications, about contractors  
10 starting jobs and the job being finished by a different contractor,  
11 by utilizing contractors who don't have the technical expertise or  
12 are new to it.

13 Questar takes safety very seriously. Questar notes  
14 that these assets will become assets of the Company and the  
15 Company will be responsible both to maintain them and to  
16 ensure their safety. So the Company's resistance to the  
17 contractor-install option is really borne of its safety concerns.  
18 We run a safe system and it is very important to us that from  
19 the very beginning it's installed properly and safely.

20 With regard to the selection of authorized  
21 contractors, the sort of alternative that was proposed by the  
22 Home Builders Association, Questar Gas has had some serious,  
23 unpleasant, historical experience with that. However, we've  
24 heard the Home Builders and we've heard some of the other  
25 parties that are interested. And we think it's appropriate to try it

1 on some of these bigger jobs and see how it goes and gather  
2 some evidence, see whether that historical experience is still  
3 true.

4 And then, of course, the Commission is completely  
5 welcome to raise any of those issues at any point in the future.

6 So I will just leave you with this: We hope that the  
7 Commission will advance and endorse policies that have the  
8 customers who cause the cost bear the cost and also policies  
9 that would encourage and reinforce the strong culture of safety  
10 that Questar has developed over the years.

11 I have nothing further.

12 THE HEARING OFFICER: Thank you, Ms. Clark.

13 Mr. Jetter?

14 MR. JETTER: Thank you. It was stated very  
15 eloquently by the Division director chatting during this short  
16 recess that with respect to the main line extension, we could  
17 spend forever trying to find a perfectly equitable system. The  
18 reality is it may be impossible to have a simple-to-  
19 understand system that's also perfectly equitable to all new gas  
20 customers.

21 What we've seen in the testimony is that being in  
22 place historically doesn't inherently make a policy good, it  
23 simply makes it the status quo.

24 In our view, this idea that cost and causation  
25 should be matched up is certainly better recognized in the

1 Company's proposal. The Company proposal isn't perfectly  
2 ideal, it doesn't reach perfect equity, but it's a lot better than  
3 what we have now.

4 It's aligning the cost and causation much closer to  
5 where the appropriate cost and causation match should be  
6 made, and that's the reason the Division supports it. We think it  
7 certainly is better than the current policy, and we would  
8 encourage the Commission to consider it in that view. Thank  
9 you.

10 THE HEARING OFFICER: Thank you, Mr. Jetter.  
11 Mr. Coleman?

12 MR. COLEMAN: Thank you very much.

13 There will, as you will note, be some repeat words,  
14 as you've heard just recently. With respect to the main and  
15 service line issue, the Office believes that the testimony that's  
16 been presented, both today and in written form, identifies that  
17 the Company's proposal assigns costs in a more equitable  
18 manner and appropriately represents the cost causation variable  
19 that the Office has a long history of seeking to support in front  
20 of the Commission.

21 The Office believes that the position its presented  
22 with respect to the CIAC and the line and main extension is the  
23 proper position for the Office to present, given its statutory  
24 obligation to represent residential and small-business customers  
25 as a whole. The Office would, accordingly, recommend and

1 urge the Commission to adopt the Company's proposal.

2 With respect to the commodity cost issue, the  
3 Office believes the testimony demonstrates that approving this  
4 change, as proposed, will eliminate existing commodity price  
5 subsidies. The Office also has a long-standing position in front  
6 of this Commission to identify and seek to eliminate, as soon as  
7 possible, any of these types of interclass or intraclass  
8 subsidies.

9 And now that it's been identified, the Office's  
10 position is it should be eliminated as quickly as possible. In this  
11 case, in particular, there are some issues that continue to linger  
12 and were challenges to overcome with respect to the subject  
13 matter.

14 This morning, the presentation that perhaps should  
15 have been or attempted to be addressed by parties--again, I'm  
16 new to the circumstance, but it's my understanding some of the  
17 issues were longstanding and had snowballed a little bit more  
18 than expected. And it's the Office's position that, now that the  
19 subsidy has been identified, it's most appropriate to eliminate it  
20 as soon as possible.

21 THE HEARING OFFICER: Thank you, Mr.  
22 Coleman.

23 Mr. Smith?

24 MR. SMITH: Thank you, Mr. Chairman, members of  
25 the Commission.

1 I have appreciated the opportunity to be here and  
2 present the thoughts of the Utah Home Builders Association, a  
3 group that I think has a long history and a lot of experience in  
4 this area and don't come to this lightly. They don't come get  
5 involved in every ratemaking proceeding and everything that  
6 takes place.

7 And I realize that I'm, you know, swimming  
8 upstream on this issue because everybody else seems to have  
9 coalesced on the other side, but once in a while you have to  
10 swim upstream because the stream's running the wrong way.  
11 And let me tell you why I think the stream is running the wrong  
12 way, if you adopt the proposal of Questar that has been  
13 somewhat embraced by everyone else here.

14 We're talking about fairness and equity. I  
15 understand, I was hoping to see and hoping to hear sometime  
16 today why the current system wasn't equitable. And the only  
17 thing I heard is, "Well, maybe it favors some over the others."

18 Well, who does the current system? The current  
19 system treats every single homeowner the same, every single  
20 customer gets the same fixed allowance no matter where their  
21 home is. It treats the home in Deer Valley that's \$5 million and  
22 the \$100,000 home in Rose Park exactly the same. There's  
23 something fair about that.

24 I would suggest that maybe we shouldn't be  
25 subsidizing bigger, longer lines for bigger lots, and that's exactly

1 what they're asking you to do. Where is the public policy that's  
2 been enunciated that we should subsidize the longer service  
3 systems?

4 Let me just throw out some numbers I think were  
5 pretty uncontested today. The average line was 46 feet. It's  
6 not until you get to 64 feet, that's almost 150 percent of the  
7 average line, everybody under 164 and less will be paying more  
8 money.

9 Now, what's fair about that? Why should the  
10 people with smaller lots, people who maybe want to preserve  
11 resources and not take up so much land, why should they be  
12 penalized? What's wrong with the present system? How many  
13 complaints have you ever had about the present system? Have  
14 people been banging on the door?

15 I think I understand what it's all about, it's all about  
16 getting more money into Questar's pockets, because more  
17 people--if that's what the average is, 49, then more people will  
18 be paying more money than--how many people have those long  
19 lines?

20 Even in Emery County, where Mr. McCandless  
21 testified, he said over half would be less than 64 feet, so even  
22 half the people in rural Utah, which the population is much  
23 smaller. So when you adjust it for everybody, they're asking for-  
24 -they're going to get more money.

25 Maybe I'm missing something, but that's certainly

1 all I can see, is if the average is 49 and people up to 64 pay  
2 more, they're going to pay more money. There's no two ways  
3 about it.

4 What is equitable about saddling the average and  
5 below-average length lines with higher cost? Where did that  
6 become equity, I suggest to you? I don't think so. I think it's  
7 common sense.

8 Now, they talked about studies, and we'll talk about  
9 studies in a second here. We don't need a study to understand  
10 that common sense says, typically, the shorter the distance of  
11 your line, the smaller your lot is; typically, the smaller lot, the  
12 smaller home. That's why the Home Builders are here.

13 And then we also said, "Well, it's not a big deal to  
14 everybody." Well, yeah, this is a small amount to each  
15 homeowner, but why do we even have a Public Service  
16 Commission? Why shouldn't we just let Questar raise their  
17 rates 5 percent a year? Nobody would go broke if that  
18 happened? Why do we even have a commission that overlooks  
19 these things? Because people don't have other choices, they  
20 don't have other choosing.

21 Now, let's talk a minute about the main line  
22 situation. Questar's proposing a way that's not done by anybody  
23 else. Every other utility, every other water, sewer, gas, they do  
24 what's called pioneering agreements, where the pioneer builds  
25 the bigger one and then gets reimbursed. That is the fair way to

1 go about it. There was testimony about that.

2 Why are we changing? What empirical evidence do  
3 we have, what kind of data do we have that says that that's not  
4 the way to do it? Why is everybody else in the State of Utah  
5 mixed up and doing it wrong? Why is every other city, county,  
6 district, every other utility provider, why are they screwed up?  
7 What's wrong with their thinking?

8 There's nothing wrong with their thinking. That is  
9 the most fair way. You get the bigger line up front, and then as  
10 people add on, you get reimbursed for it. Again, the people in  
11 the development community who face those costs, that's what  
12 they'd like to see continue. They're not asking for any change.  
13 They're asking to continue the status quo, they think it's been  
14 fair.

15 If something was unfair, don't you think the  
16 development community would be jumping up and down and  
17 saying, "Hey, this isn't fair for us. We'd like to get our money  
18 up front"?

19 Questar just doesn't want to reimburse people.  
20 And just do the math, if you have a \$100,000 project, a  
21 \$100,000 pipeline, and you're going to use 25 percent of it,  
22 you're going to end up paying--so they say, "Well, we're going to  
23 cut it in half, because we're going to forgive you of our internal  
24 costs. We're going to give that back to you."

25 Well, you're still going to pay for 75 percent--or 50



1 percent, where you should only be paying 25 percent. Again,  
2 it's shifting costs from Questar to the individuals, another rate  
3 increase.

4 Now, let's talk about how they allocate these costs.  
5 If anybody really believes that it takes twice as long to review  
6 and do the soft costs, the internal costs for a 100--twice as long  
7 for a 200-foot line than a 100-foot line, I feel sorry for that  
8 person, because we all know that's not the case.

9 We all know this is a flawed system based on the  
10 flawed measurements, and we ought to just leave it alone until  
11 we get some real science. And that's the same--let's get some  
12 real numbers and some real statistics to show that this is better  
13 before we jump to it.

14 We're going to use a flawed system where they're  
15 saying, "Well, if your line is 200 feet, it takes us twice as long to  
16 review your plans."

17 Well, we know that's not the case. You are  
18 allowed--and you talk about studies and things, you're allowed  
19 as Commissioners to make reasonable inferences and use  
20 common sense. You weren't required to check those at the door  
21 when you walked in here today. We ask you to use those.

22 And finally, let me get to the point of the  
23 construction. Yeah, we're based on a bias that's based on  
24 almost 30-year-old experience of Questar. Did they go out and  
25 look at what other people do? Yeah. Well, they said they did.

1 And some do it one way, some do it the other.

2 Why the rush to do it? Why do they want to do it  
3 this way? Well, it runs contrary to--you know, you get bids, you  
4 get better prices. They say, "Well, we're going to have  
5 problems, we're going to have those things."

6 What's that based on? Thirty-year-old experience,  
7 not checking with what other utilities do. This is done all over  
8 the country. Let me explain something, we aren't the leaders,  
9 we don't need to be the leaders and ice breakers on things.  
10 What we ought to do is look at what other people are doing in  
11 other places and doing what's smart and not just doing  
12 something because Questar says, "We're going to have safety  
13 problems, we think it's going to be bad."

14 What kind of evidence is that? They have lots of  
15 resources. They could have polled other utilities in other places  
16 and said, "Hey, how do you guys do it? What problems do you  
17 have?"

18 Let's let the free market get involved. Let's say a  
19 city gets what Questar wants. Let's say Park City said, "You  
20 know, we've had a lot of problems with our building codes,  
21 because they're pretty complex up here, and we're going to now  
22 just say only prequalified--you know, we're going to only  
23 prequalify contractors to build homes."

24 Well, I know building gas lines is dangerous and  
25 hard, but so is building a house. What about a building? We

1 don't work that way. We have building inspectors and we do it  
2 that way. We have a system in place. There are Federal  
3 standards, there are inspections. Let's give the free market a  
4 chance here, guys.

5 I know that the free market's kind of a nasty word  
6 when we're in this building, because, you know, we're dealing  
7 with a monopoly, but this is one aspect.

8 Lastly, why let them bid for over 200 and not under  
9 200? That makes no sense. Why don't we try it and see how it  
10 works? If there's problems with it, Questar can bring those back  
11 to this Commission instead of relying on their experiences of  
12 30-plus years ago. Thank you.

13 THE HEARING OFFICER: Thank you all.

14 Mr. Jetter?

15 MR. FIKE: Commissioner, this is Lieutenant  
16 Colonel Fike from the Federal Agencies. I just wanted to ask a  
17 question for tomorrow's procedure.

18 Would we have the same opportunity to present a  
19 closing kind of argument for the other issues, such as we did  
20 today for this issue?

21 THE HEARING OFFICER: Let's address that  
22 tomorrow when all the parties interested in those issues are  
23 here. Thank you for raising that. And I invite you all to  
24 consider it, and we'll talk about it tomorrow morning.

25 Is there anything else, though, that we need to

1 settle about tomorrow? We'll start at 9:00, same order of  
2 witnesses. All the witnesses are available tomorrow, as far as I  
3 am aware; is that correct?

4 And we're ready to go. Okay. Thank you very  
5 much. We appreciate all of your efforts today and we'll see you  
6 tomorrow. We're adjourned.

7 (Concluded at 5:00 p.m.)

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CERTIFICATE

This is to certify that the proceedings in the foregoing matter were reported by me in stenotype and thereafter transcribed into written form;

That said proceedings were taken at the time and place herein named;

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

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Teena Green, RPR, CSR, CRR, CBC