

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Pass-Through Application of
Questar Gas Company for an
Adjustment in Rates and
Charges for Natural Gas
Service in Utah
In the Matter of the
Application of Questar Gas
Company to Amortize the
Conservation Enabling Tariff
Balancing Account

Docket No. 14-057-09

Docket No. 14-057-10

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HEARING PROCEEDINGS  
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TAKEN AT: Public Service Commission
Hearing Room 401
160 East 300 South
Salt Lake City, Utah

DATE: Wednesday, May 28, 2014

TIME: 11:08 a.m.

REPORTED BY: Scott M. Knight, RPR

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APPEARANCES

THE HEARING OFFICER:

JORDAN A. WHITE

FOR DIVISION OF PUBLIC UTILITIES:

JUSTIN C. JETTER, ESQ.,

ASSISTANT ATTORNEY GENERAL

160 East 300 South

Fifth Floor

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FOR OFFICE OF CONSUMER SERVICES:

BRENT COLEMAN, ESQ.,

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FOR QUESTAR GAS COMPANY:

JENNIFFER NELSON CLARK, ESQ.,

QUESTAR GAS COMPANY

333 South State Street

Salt Lake City, Utah 84111

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Hearing Proceedings

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May 28, 2014

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PROCEEDINGS

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THE HEARING OFFICER: Let's go ahead and go

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on the record.

6

Good morning. This is the time and place for the

7

hearings of the following dockets: Docket No. 14-057-09 in the

8

Matter of the Pass-Through Application of Questar Gas

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Company for Adjustment in Rates and Charges for Natural Gas

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Service in Utah; and a Docket No. 14-057-10, in the Matter of

11

Application of Questar Gas Company to Amortize the

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Conservation Enabling Balancing Account.

13

My name is Jordan White. And the commissioners

14

have asked that I act as presiding officer for this hearings. Why

15

don't we go ahead and take appearances?

16

Do you want to start over here with Mr. Coleman?

17

MR. COLEMAN: Brent Coleman from the Office.

18

MR. JETTER: Justin Jetter for the Utah Division of

19

Public Utilities. And with me are Douglas Wheelwright and Eric

20

Orton for the Division.

21

MS. CLARK: Jenniffer Clark on behalf of Questar

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Gas Company. And I have Mr. Austin Summers here to testify

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to the pass-through docket, Mr. Kelly Mendenhall to testify to

24

the CET docket, and Mr. Barrie McKay here to offer additional

25

testimony if it's required.

1 THE HEARING OFFICER: Okay. Great. Thanks.
2 And we do have a caller on the phone. Would you please
3 identify yourself, Ms. Bennett?

4 Do we have Daisy Bennett on the phone?

5 MS. BENNETT: You do. I apologize. It's a little
6 hard to hear, but, yes, I am here. Thank you.

7 THE HEARING OFFICER: No problem. And who
8 are you with, Ms. Bennett, or who are you--are you an attorney?
9 Are you appearing on behalf of someone or . . .

10 MS. CLARK: If I can speak to that.

11 THE HEARING OFFICER: Sure.

12 MS. CLARK: Mr. Bennett is a new admittee to the
13 Utah State Bar and she is here to fulfill her mentoring
14 requirements--

15 THE HEARING OFFICER: Okay. Perfect.

16 MS. CLARK: --to observe the hearing.

17 THE HEARING OFFICER: Good to hear.

18 THE WITNESS: Thank you.

19 THE HEARING OFFICER: Thank you very much.
20 Okay. Before we go ahead, are there any other
21 procedural matters we need to address before proceeding?

22 MS. CLARK: None from the Company.

23 MR. JETTER: Are we going to handle these both
24 concurrently?

25 THE HEARING OFFICER: Yeah.

1 MR. JETTER: It would be convenient for us to do it
2 that way.

3 THE HEARING OFFICER: If it's okay, just to keep
4 the record clear, I'd like to go actually to 09, you know, go to
5 the witnesses on 010, if that's okay. It's better than doing it--is
6 that what you mean? Are you talking about doing
7 simultaneously addressing the . . .

8 MR. JETTER: I was thinking simultaneously, but if
9 it's easier for the Commission--

10 THE HEARING OFFICER: Yeah. I think just to
11 keep things clear, the commissioners question back and forth, if
12 that's all right, I'd like to keep them separate.

13 One final thing, too, just to remind folks that we are
14 streaming today, so just be cognizant of that.

15 Was there anything--did you have something, Mr.
16 Coleman?

17 Okay. Why don't we go ahead and start with the 09
18 docket, which is the pass-through?

19 Since this is Questar's application, Ms. Clark, do
20 you want to go ahead and proceed?

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

23 THE HEARING OFFICER: Raise your right hand,
24 please. Do you solemnly swear to tell the whole truth and
25 nothing but the truth?

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THE WITNESS: Yes.

AUSTIN SUMMERS, being first duly sworn, was examined and testified as follows:

EXAMINATION

BY-MS.CLARK:

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

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

Q. What position do you hold with Questar Gas Company?

A. I'm the supervisor of regulatory affairs.

Q. And in that capacity, did you prepare or oversee the preparation of the application and exhibits in this docket?

A. Yes, I did.

Q. And would you adopt the contents of those documents as your sworn testimony today?

A. Yes.

MS. CLARK: Company would move for the admission of the application and attached exhibits.

THE HEARING OFFICER: Any objection?

MR. JETTER: (Moves head from side to side.)

THE HEARING OFFICER: They're received.

MS. CLARK: Thank you.

BY MS. CLARK:

1 Q. Mr. Summers, would you please summarize the
2 Company's application in this matter?

3 A. Yes. In pass-through Docket No. 14-057-09,
4 Questar Gas Company respectfully asks the Utah Public Service
5 Commission for approval of \$637,506,430 in Utah gas cost
6 coverage. This represents an overall increase of \$83,849,000.
7 The components of the increase are an increase of \$88,121,000
8 in commodity costs and a decrease of \$4,271,000 in SNG costs.

9 Included in this request is an amortization of the
10 commodity portion of the actual March 2014 undercollected 191
11 account balance of \$23,288,891 by a 22.364-cent-per decatherm
12 debit surcharge.

13 The supplier non-gas rate will also include
14 amortization, which is necessary to adjust the slightly
15 overcollected SNG balance. The SNG balance at the end of
16 March 2014 was about \$5.9 million higher than historical levels
17 suggest it should be. This overcollection results in a credit
18 surcharge of about 6 1/2 cents per decatherm.

19 We used the average of forecasted gas prices from
20 two agencies--namely, PIRA Energy Group and Cambridge
21 Energy Research Associates--
22 to develop the cost of purchased gas.

23 If this filing is allowed, a typical Utah GS customer,
24 using 80 decatherms per year, would see an increase of \$64.44,
25 for a total annual increase of about 9 percent. Therefore, we

1 request the increase proposed in commodity and SNG rates be
2 allowed to go into effect as filed on June 1 2014.

3 Thank you.

4 MS. CLARK: Mr. Summers is available for further
5 questions.

6 MR. JETTER: I have no questions.

7 THE HEARING OFFICER: Mr. Coleman.

8 MR. COLEMAN: Nothing from the Office. Thank
9 you.

10 THE HEARING OFFICER: Okay. Mr. Jetter.

11 MR. JETTER: I'd like to start by swearing in Mr.
12 Wheelwright.

13 THE HEARING OFFICER: Please raise your right
14 hand. Do you solemnly swear to tell the whole truth and nothing
15 but the truth?

16 THE WITNESS: Yes, I do.

17 THE HEARING OFFICER: Be seated.

18 DOUGLAS WHEELWRIGHT, being first duly sworn,
19 was examined and testified as follows:

20 EXAMINATION

21 BY-MR.JETTER:

22 Q. Would you please state your name and occupation
23 for the record?

24 A. My name is Douglas Wheelwright. I'm a technical
25 consultant for the Division of Public Utilities.

1 Q. Thank you. And have you reviewed the application
2 filed by the Company in this docket as well as the accompanying
3 exhibits?

4 A. Yes, I have.

5 Q. And did you respond to the action request on behalf
6 of the Division of Public Utilities on docket dated May 23, 2014?

7 A. Yes, I did.

8 Q. Are there any edits or corrections you'd like to
9 make to the Division's recommendation?

10 A. No.

11 MR. JETTER: I move at this time to enter that into
12 the record.

13 THE HEARING OFFICER: Any objections?

14 MS. CLARK: No.

15 THE HEARING OFFICER: Proceed.

16 BY MR. JETTER:

17 Q. Have you prepared a summary of the Division's
18 position?

19 A. Yes, I have.

20 Q. Would you please go ahead and read that into the
21 record?

22 A. Yes.

23 In Docket No. 14-057-09, the pass-through docket,
24 Questar has asked for Commission approval to increase the
25 commodity rate components of Questar's Utah natural gas rates

1 by \$88.121 million and decrease the supplier non-gas
2 component by \$4.271 million, for a total increase of 83.849
3 million.

4 Based on the current gas costs included in our
5 rates, if approved, individually, a typical GS residential
6 customer will see an increase of \$64.44 in their annual bill. The
7 requested increase in the commodity costs is due to an increase
8 in the historical cost of natural gas and an increase in the
9 forward price curve for the 12-month test period ending May 30,
10 2015.

11 The Division recommends that the proposed rate
12 increase be approved on an interim basis until a full audit of the
13 191 account can be completed.

14 As mentioned in the Division's memo and in
15 previous proceedings, Questar Gas uses QEP Field Services to
16 gather cost of service gas under the Wexpro agreement. The
17 charges under the System Wide Gathering Agreement are
18 included in the Questar Gas gas rates as part of its purchased
19 gas costs. And the collection of those costs are included as
20 part of the SNG rate.

21 The Commission should be aware that the
22 calculation of the SNG rate for the test period is based on a
23 lower gathering charge than the amount claimed by QEP, and
24 this issue is currently in litigation. It is the Division's
25 understanding that Questar Gas has been paying a reduced

1 gathered charge to QEP since January--since June of 2012. Due
2 to the extended court proceeding, this issue may not be
3 resolved for some time. If the Court rules in favor of QEP,
4 Questar Gas could be required to pay the higher gathering
5 charge from June 2012 until this issue is resolved.

6 In--at the same time the--Questar Gas filed this
7 docket, they also filed Docket No. 14-057-10, known as the
8 CET, or Conservation Enabling Tariff. The Company's asked
9 for--in that docket, the Company has asked for a decrease in
10 rates. The Division recommends approval of both dockets on an
11 interim basis, with an effective date of June 1, 2014.

12 While the two dockets have been presented
13 independently, the Division has completed a summary of the
14 combined impact of both dockets on a typical customer bill. If
15 both documents are approved, a typical GS residential customer
16 will see a net increase in their annual bill of approximately
17 \$51.61 per year, or a 7.2 percent increase from the rates
18 currently in effect. The Division believes that the requested
19 increase is just and reasonable and in the public interest.

20 THE HEARING OFFICER: Thank you.

21 Ms. Clark.

22 MS. CLARK: I have no questions.

23 THE HEARING OFFICER: Mr. Coleman.

24 MR. COLEMAN: Nothing from the Office. Thank
25 you.

1 THE HEARING OFFICER: And I do have one
2 question. And, actually, I apologize. Your--I haven't excused
3 Mr. Summers, because I may have a question at the end here,
4 because one kind of procedural matter that I failed to
5 mention--can you hear me okay? Is this on? Okay. Sorry. How
6 about now?

7 Okay. At some point--and I know that we've kind of
8 done this in the past and we're kind of moving towards this
9 model of actually asking for an approval of the actual tariff
10 sheets--perhaps it might be helpful--I know we're getting a little
11 out of order here, but do you want to identify the tariff sheets
12 you filed with the 09 application?

13 Would it be helpful--I'm talking to Questar now just
14 to identify that. And I'd like to ask Mr. Wheelwright if they have
15 any issues with the actual tariff itself, tariff sheet.

16 MS. CLARK: That would be fine. I know Mr.
17 Mendenhall is also prepared to speak to that issue, but if Mr.
18 Summers wants to answer the question about where they are
19 found . . .

20 THE HEARING OFFICER: Yeah. Why don't we just
21 do that? And we'll just identify it for the record. And, then,
22 we'll--because I know there's actually three tariff sheets, right?
23 There's the 09, the 10, and then there's the combined that
24 actually includes some other stuff. Okay.

25 MR. SUMMERS: Right. In the pass-through

1 document, the combined tariff sheet is included as Exhibit 1.11.

2 THE HEARING OFFICER: Uh-huh (affirmative).

3 And by "combined," you mean for the--

4 MR. SUMMERS: For the pass on--or sorry--the
5 pass-through filing and the CET. So, the rates that are in
6 Exhibit 1.11 of the pass-through are inclusive of the
7 pass-through rates changed and the Conservation Enabling
8 Tariff--

9 THE HEARING OFFICER: Okay.

10 MR. SUMMERS: --change.

11 THE HEARING OFFICER: So, why don't we--I
12 wonder if it makes sense--why don't we do this: Let's just hold
13 off on that for now. We won't excuse you, but maybe at the
14 end, after we go through this, complete 09, 010, and we can just
15 do kind of an omnibus discussion, because I know these are
16 combining, offsetting, netting, etc. So, why don't we just do
17 that? So, that makes more sense. I apologize.

18 So, Ms. Clark--back to Mr. Wheelwright, Ms. Clark
19 had no questions.

20 And, Mr. Coleman.

21 MR. COLEMAN: Nothing from the Office.

22 THE HEARING OFFICER: Okay. Great. Mr.
23 Coleman, does the Office have anything they wish to address on
24 the 09 docket?

25 MR. COLEMAN: The Office did not present any

1 comments and has, at this time, no witness to sponsor on the 09
2 docket.

3 THE HEARING OFFICER: Okay. Thank you. With
4 that, why don't we go ahead--unless there's anything on the 09
5 docket that we need to address further, why don't we go ahead
6 and proceed to the--sorry--14-057-10, which is the Conservation
7 Enabling Tariff.

8 Ms. Clark.

9 MS. CLARK: Thank you. The Company would call
10 Mr. Kelly B. Mendenhall.

11 THE HEARING OFFICER: Raise your right hand,
12 Mr. Mendenhall. Do you solemnly swear to tell the whole truth
13 and nothing but the truth?

14 THE WITNESS: Yes.

15 KELLY B. MENDENHALL, being first duly sworn,
16 was examined and testified as follows:

17 EXAMINATION

18 BY-MS.CLARK:

19 Q. Mr. Mendenhall, would you state your full name and
20 business address for the record?

21 A. Yeah. Kelly B. Mendenhall. And my business
22 address is 333 South State Street, Salt Lake City, Utah.

23 Q. And what position do you hold with Questar Gas
24 Company?

25 A. I'm the director of regulatory affairs.

1 Q. Did you prepare or oversee the preparation of the
2 application and exhibits in Docket 14-057-10?

3 A. Yes, I did.

4 Q. And would you adopt the contents of those
5 documents as your sworn testimony today?

6 A. Yes.

7 MS. CLARK: The Company would move to admit
8 the application and accompanying exhibits.

9 THE HEARING OFFICER: Is there any objection?
10 They're received.

11 BY MS. CLARK:

12 Q. Would you please summarize the Company's
13 position and request in the application.

14 A. Sure. In Docket No. 14-057-10, the Application of
15 Questar Gas Company to Amortize the Conservation Enabling
16 Tariff Balancing Account, the Company proposes to amortize the
17 March 2014 overcollected balance of about \$13 million.

18 So, currently, we're collecting 1.--or yeah, we're
19 collecting \$1.4 million from customers. Now, we're going to be
20 returning 13 million. So, the net impact on customers will be
21 about a \$14.4 million decrease in revenue.

22 One of the main drivers of this large overcollection
23 and the need to return it was the abnormally warm weather that
24 we experienced in February and March. The large disparity
25 between actual and normal heating degree days during this

1 period led to uncommonly large adjustments in most general
2 service, GS, customers' billed usage during this past period.
3 This caused the Company to collect more distribution non-gas
4 revenue than was allowed by the Conservation Enabling Tariff,
5 and upon approval of this filing, the Company will begin to
6 return this overcollection amounts to customers.

7 This change in the rate will result in a \$12.83, or
8 1.8 percent, annual decrease to the typical general service
9 customer's bill. And the Company is requesting that these tariff
10 changes and rate changes, along with the changes proposed by
11 Mr. Summers, be effective June 1, 2014.

12 When you take both dockets together, the impact of
13 both dockets to a typical customer would be an overall increase
14 for a general service customer of about \$51.61 per year, or 7.23
15 percent increase.

16 As far as the tariff sheets go, both filings had
17 standalone tariff sheets for their particular filing and then
18 combined tariff sheets. And, so, in Docket 14-057-09, Exhibit
19 1.8 had the standalone tariff sheets for the pass-through by
20 itself. And, then, if you look at Exhibit 1.11, that had the
21 combined effect of both the pass-through and the Conservation
22 Enabling Tariff for those rate classes.

23 If you look in Docket 14-057-10, Exhibit 1.3 is a
24 standalone tariff sheet for the general service class showing,
25 you know, the rate impact for just the Conservation Enabling

1 Tariff. Exhibit 1.5 is the combined effect of both the
2 Conservation Enabling Tariff and the pass-through docket
3 together.

4 And that concludes my summary.

5 MS. CLARK: Mr. Mendenhall is available for further
6 questioning.

7 THE HEARING OFFICER: Mr. Jetter.

8 MR. JETTER: I have no questions. Thank you.

9 MR. COLEMAN: Nothing from the Office. Thank
10 you.

11 THE HEARING OFFICER: Thanks. All right. With
12 that, Mr. Jetter.

13 MR. JETTER: We would like you to swear in Eric
14 Orton. Sorry.

15 THE HEARING OFFICER: Raise your right hand.
16 Do you solemnly swear to tell the whole truth and nothing but
17 the truth?

18 THE WITNESS: Yes.

19 ERIC ORTON, being first duly sworn, was examined
20 and testified as follows:

21 EXAMINATION

22 BY-MR.JETTER:

23 Q. Would you please state your name and occupation
24 for the record?

25 A. My name is Eric Orton. I work as a utility analyst

1 for the Division of Public Utilities.

2 Q. Thank you. And did you prepare and cause to be
3 filed an action request response from the Division of Public
4 Utilities dated May 23, 2014, in the 05--excuse me-- 14-057-10
5 docket?

6 A. That's right.

7 Q. Do you have any corrections that you would like to
8 make to that?

9 A. No.

10 Q. Does the recommendation that you made remain
11 the recommendation of the Division?

12 A. It does.

13 MR. JETTER: With that, I'd like to move to admit
14 that into the record.

15 THE HEARING OFFICER: Any objection?

16 It's received.

17 BY MR. JETTER:

18 Q. Have you prepared a brief statement of the
19 Division's position?

20 A. I have.

21 Q. Would you please go ahead and read that?

22 A. Yes. Docket No. 14-057-10 is a request to
23 amortize the March 2014 CET credit balance of about \$13
24 million, the amount the Company overcollected from its GS
25 customers in its non-gas rate. If approved, a typical GS

1 residential customer will see an approximate \$13.83 decrease in
2 their annual bill.

3 This large March balance motivated regulators to
4 investigate the many interworking components of the CET again
5 to see if this large balance like this one could be avoided in the
6 future. This investigation is not fully fleshed out yet. And the
7 Division is working with the Company to complete the
8 investigation.

9 The bottom line relevant to this hearing is that the
10 CET was established to allow the Company to collect its allowed
11 DNG revenue independent of customer usage. The account was
12 managed to collect its per-customer amount as ordered in the
13 last general case. Thus, the CET appears to be functioning as
14 ordered by the Commission.

15 Therefore, the Division recommends that the rate
16 change requested be approved on an interim basis with rates
17 effective June 1, 2014, until the Division can complete its audit
18 and investigation.

19 Thank you.

20 Q. And have you reviewed the proposed tariff
21 schedules?

22 A. I have, yes. And they're appropriate.

23 Q. And you believe that approval of the new tariff
24 through both of the dockets that we are here today for would be
25 just and reasonable and in the public interest.

1 A. Yes.

2 Q. Thank you.

3 MR. JETTER: I have no further questions.

4 THE HEARING OFFICER: Okay. Thank you. Ms.

5 Clark.

6 MS. CLARK: We have no questions. Thank you.

7 THE HEARING OFFICER: Mr. Coleman.

8 MR. COLEMAN: Nothing from the Office. Thank
9 you.

10 THE HEARING OFFICER: Why don't we
11 just--because we do have the public witness hearing at noon,
12 why don't we just keep the witnesses, you know, not--sworn in
13 for now. I'll be back at noon. You're all welcome to be here,
14 also. But if there's any other procedural matters we need to deal
15 with at this point before adjourning and then waiting until
16 noon--is there anything else, Ms. Clark or Mr. Jetter?

17 MS. CLARK: We don't have anything.

18 THE HEARING OFFICER: Okay. Why don't we go
19 ahead and adjourn? And we'll see you back here at noon.

20 Thanks.

21 (Proceedings concluded at 11:28 a.m.)

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CERTIFICATE

This is to certify that the foregoing proceedings were taken before me, SCOTT M. KNIGHT, a Registered Professional Reporter and Notary Public in and for the State of Utah, residing at South Jordan, Utah;

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting, and that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages, inclusive.

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

Scott M. Knight, RPR

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