

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance Docket No. 14-057-26

In the Matter of the
Application of Questar Gas Company to Change the Infrastructure Rate Adjustment Docket No. 14-057-27

~~~~~  
HEARING PROCEEDINGS  
~~~~~

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

DATE: Tuesday, November 25, 2014

TIME: 10:01 a.m.

REPORTER: Nancy A. Fullmer, RMR

1 APPEARANCES
 2 PRESIDING OFFICER: JORDAN A. WHITE
 3 FOR DIVISION OF PUBLIC UTILITIES:
 PATRICIA E. SCHMID
 4 ASSISTANT ATTORNEY GENERAL
 160 East 300 South, Fifth Floor
 5 Salt Lake City, Utah 84114
 6 FOR OFFICE OF CONSUMER SERVICES:
 REX W. OLSEN
 7 ASSISTANT ATTORNEY GENERAL
 160 East 300 South, Fifth Floor
 8 Salt Lake City, Utah 84114
 9 FOR QUESTAR GAS COMPANY:
 JENNIFFER NELSON CLARK
 10 SENIOR CORPORATE COUNSEL
 333 South State Street
 11 Salt Lake City, Utah 84145

12 INDEX OF EXAMINATION

| 13 WITNESS | PAGE |
|--|------|
| 14 KELLY B. MENDENHALL EXAMINATION BY-MS. CLARK | 6 |
| 15 ERIC ORTON 16 EXAMINATION BY-MS. SCHMID | 15 |
| 17 EXAMINATION BY-MS. SCHMID | 29 |
| 18 GAVIN MANGELSON 19 EXAMINATION BY-THE HEARING OFFICER | 23 |
| 20 EXAMINATION BY-MR. OLSEN | 33 |
| 21 JORDAN STEPHENSON 22 EXAMINATION BY-MS. CLARK | 27 |

23 INDEX OF EXHIBITS

| | |
|--|----|
| 24 DPU Hearing Exhibit-1 (Amortization 25 Estimate) | 18 |
|--|----|

1 PROCEEDINGS

2 THE HEARING OFFICER: Good morning. This
3 is the time and place for Commission consideration
4 of two separate rate applications filed by Questar
5 Gas Company with proposed specified rate changes
6 to be effective December 1st, 2014. The first
7 application is in Docket 14-057-26 in the Matter
8 of the Application of Questar Gas Company to
9 Amortize the Energy Efficiency Deferred Account
10 Balance.

11 The second application is in Docket No.
12 14-057-27 in the Matter of the Application of
13 Questar Gas Company to Change the Infrastructure
14 Rate Adjustment.

15 My name is Jordan White. I'll be acting
16 as presiding officer for this hearing. With that,
17 why don't we go ahead and take appearances. We'll
18 start over here with Mr. Olsen on the right.

19 MR. OLSEN: Rex Olsen on behalf of the
20 Office of Consumer Services.

21 MS. SCHMID: Good morning. Patricia E.
22 Schmid for the Attorney General's Office
23 representing the Division of Public Utilities.
24 And with me as the Division's witness is Eric
25 Orton.

1 MS. CLARK: Jennifer Clark on behalf of
2 Questar Gas Company. And I have with me Kelly
3 Mendenhall and Jordan Stephenson. And the Company
4 has one procedural matter that we can address now
5 or at the end of the hearing that we would like to
6 just address related to these two dockets today,
7 as well.

8 THE HEARING OFFICER: Okay. That would
9 be fine. You're welcome to address it now if you
10 would like.

11 MS. CLARK: Our thought was this: We
12 noticed that the past couple of dockets have
13 required the filing of a T docket with an advice
14 number and a date. And we wondered if the
15 Commission at the conclusion of the hearing did
16 decide to grant the applications on an interim
17 basis, if it would do so upon receipt of the
18 advice number and the date. We would be happy to
19 file a supplemental filing effective in this
20 docket and increase the administrative efficiency
21 by not filing a brand new T docket for that
22 matter.

23 THE HEARING OFFICER: Yeah. I'm glad you
24 brought it up. I was going to address that also.
25 So, yeah, I think--and, obviously, we'll get into

1 this in terms of the Division's opinion or in
2 terms of the filed tariff sheets. But I think
3 that would be fine. I think the only thing we
4 really need to update is the dates and there's
5 the--what is it--the advice number. So I think
6 that would be fine. That doesn't seem
7 like--again, if the Division does recommend
8 approval, we could do that and I think we could do
9 that pretty quickly once the updated sheets were
10 filed. Is that--

11 MS. SCHMID: Yes. But I have one more?

12 THE HEARING OFFICER: Yeah, absolutely.

13 MS. SCHMID: Would it be helpful if the
14 page numbers were also added to the tariff sheets
15 that are refiled?

16 MS. CLARK: Absolutely. We would be
17 happy to do that.

18 MS. SCHMID: Thank you.

19 THE HEARING OFFICER: Okay. Is there any
20 other housekeeping matters as such before we
21 proceed?

22 Okay. Why don't we go ahead and start
23 with the 26 docket, which addresses Questar's
24 energy efficiency deferred account balance. Since
25 this is Questar's application, I'll look to

1 Ms. Clark to proceed.

2 MS. CLARK: Thank you. The Company would
3 call Kelly Mendenhall.

4 THE HEARING OFFICER: Go ahead and raise
5 your right hand. Do you solemnly swear to tell
6 the whole truth and nothing but the truth?

7 MR. MENDENHALL: Yes.

8 KELLY B. MENDENHALL,
9 having been first duly sworn, was
10 examined and testified as follows:

11 EXAMINATION

12 BY-MS.CLARK:

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

15 A. Kelly B. Mendenhall. And my business
16 address is 333 South State Street, Salt Lake City,
17 Utah.

18 Q. And what position do you hold with
19 Questar Gas Company?

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

21 Q. And in that capacity, did you participate
22 in and oversee the preparation of the application
23 in this docket?

24 A. Yes.

25 Q. And would you adopt the contents of the

1 application and its attachments as your testimony
2 today?

3 A. Yes.

4 MS. CLARK: We would move for the
5 admission of the application and attached exhibit.

6 THE HEARING OFFICER: Is there any
7 objection? Okay. They're received.

8 BY MS. CLARK:

9 Q. Mr. Mendenhall, would you please
10 summarize the relief the Company seeks in this
11 docket?

12 A. Sure. In Docket No. 14-057-26, the
13 application of Questar Gas Company to amortize the
14 energy efficiency deferred account balance, the
15 Company proposes to decrease the amortization
16 amount from 37.7 million to 24.5 million. Over
17 the past three years the Company has set rates
18 that would allow it to draw the balance in this
19 account down to zero so that interest costs in
20 this account could be minimized. The rates have
21 worked with design and in April of 2014, the
22 balance in that account reached zero.

23 Going forward, the Company believes that
24 the \$0.24 rate will allow it both to collect the
25 Company's proposed budget and minimize interest

1 expense. And if this docket is approved, this
2 change in the rate will result in a \$11.40 or 1.5
3 percent annual decrease in the typical
4 customer--GS customer's bill.

5 Q. Mr. Mendenhall, are you aware of the
6 first order amending the scheduling order in this
7 matter?

8 A. Yes, I am.

9 Q. And in that order the Commission posed a
10 few questions. Can you speak briefly about the
11 methodology the Company employed in this docket,
12 how it differs from the past energy efficiency
13 amortization docket, and the Company's reasons for
14 employing this methodology?

15 A. Sure. It probably would be easiest just
16 to refer you to the DPU Exhibit 1.1 that they
17 filed as an attachment to their memo. And I've
18 got extra copies if anyone is interested in
19 following along.

20 THE HEARING OFFICER: I've got a copy so
21 that's fine. I don't think we need to mark that
22 as an exhibit since you represent it's Exhibit 1.1
23 of DPU's filing.

24 MR. MENDENHALL: So maybe--and, first of
25 all, I would like to apologize. After reviewing

1 the filing, I realized we did not do a good job of
2 explaining how these rates were calculated. So,
3 hopefully, I can add a little color to that in the
4 hearing today and explain kind of our rationale.

5 So, yeah, let's just go through the
6 Commission's questions. So the first one was the
7 description of the new amortization rate
8 calculation method and the rationale for the
9 change in method from previous DSM rate adjustment
10 applications. So the methodology is kind of the
11 same as it has been for the last three years. The
12 last three years, the goal has been to--you know,
13 we had a balance in there we're paying interest
14 and expense. The goal was to set a rate that
15 would allow us to get that balance down to zero.

16 So what we did in this case is we--first
17 of all, if you look at DPU Exhibit 1.1, the column
18 that is labelled costs, if you--and I don't have
19 the sums on here, but I'll just try to walk you
20 through this. January 2015 has a cost of
21 1.78 million. And then if you go down to
22 December 2015, it has a cost of 2.8 million. And
23 if you sum that--those costs up for the year 2015,
24 you'll end up with the 28 and a half million
25 dollar budget that we had. So that was one number

1 that we wanted to--you know, we need to set rates
2 that would allow us to collect the budget for
3 2015. And then if you go over to the column
4 labelled decatherm volumes, it's the
5 second-to-last column, we include in there the
6 projected decatherms from our ROP.

7 So this is how many volumes we thought,
8 you know, we would be able to collect. If you add
9 those numbers up from December '14 through
10 November 2015, which is the test period, it ends
11 up being 100,558,813.

12 So with that knowledge, then we looked
13 at, okay, what rate do we need to collect--or what
14 rate do we need to set to allow us to minimize
15 interest expense during the test period? And so
16 if you look at column--the column labelled
17 interest that begins in December '14, the value on
18 December '14 is negative 3,086. So you go down to
19 November 2015, the value is 22,378.

20 If you sum that amount together, your
21 total interest expense for the test period, the
22 projected interest expense would be about negative
23 \$2,000. So the goal was to set a rate that would
24 allow us to minimize that interest expense during
25 the test period. So that's kind of how we

1 calculate the rate.

2 Now, in times past for the last three
3 years, we've kind of done something similar in,
4 you know, looking at and saying, okay, we need to
5 get the balance down to zero over this amount of
6 time, so what amount of revenue do we need to
7 collect. So we need to collect 37 million so
8 we'll set the rate to collect that.

9 The only difference, I guess, in
10 methodologies is in this case we just went
11 straight to the rate. We didn't, you know, look
12 at the revenue. We just looked at the rate. But
13 it's the same principle.

14 BY MS. CLARK:

15 Q. And the third question the Commission
16 asked was whether Questar intended to apply this
17 methodology in this docket and others going
18 forward. Can you speak to that, as well?

19 A. Yeah. So the methodology is pretty much
20 the same. I mean, what we're trying to do--so we
21 have a few balancing accounts, Questar Gas does.
22 We have the CT amortization, which is the
23 balancing account. We have the energy efficiency
24 account. We have the pass through account. And
25 we have the low income account.

1 In all of those accounts, when we're
2 setting rates, we're trying to set them in a way
3 that will allow us to collect the--whatever the
4 projected expense is for that time period.

5 Now, what makes this filing a little
6 different from the--your standard balancing filing
7 is that we--we're filing in November and so we've
8 got one month of winter already under our belts
9 before this rate begins. And you've also got a
10 amortization rate that's going from a very high
11 rate of \$0.38 where it is trying to collect a
12 large amount. Now we're going down to \$0.24,
13 which is more in line with what our annual budget
14 is.

15 So because you're collecting one month of
16 winter revenue at that higher rate, that's really
17 the reason why this rate's a little lower than the
18 28 million budget because we're kind of taking
19 that into account.

20 Typically, when we file a pass through,
21 we're doing it before the winter months begin, so,
22 you know, we're trying to tie that right to the
23 exact amount that we're going to collect. The
24 other difference, I guess, between the energy
25 efficiency account and the pass through or the CT

1 is this is a little easier to predict in terms of
2 what the cost will be, what the budget will be,
3 whereas gas costs can fluctuate. There's also
4 larger balancings in gas cost accounts.

5 So I think the methodology we're trying
6 to do is pretty much the same. We did a little
7 bit of a different approach in this case just
8 because the focus in the DSM advisory group over
9 the last three years is really to minimize that
10 interest expense in this account. So--

11 Q. Is it going to be of benefit to you
12 addressing the interest expense in the DSM
13 amortization dockets going forward?

14 A. Yes. I think that's what the DSM
15 advisory group is wanting us to do and I think
16 it's prudent, you know, from our standpoint, to
17 try to minimize the interest expense in the
18 accounts.

19 MS. CLARK: Thank you. Mr. Mendenhall is
20 done with questions.

21 THE HEARING OFFICER: If it's okay just
22 while we're on the subject maybe before
23 proceeding--that explanation was helpful. So I
24 guess my follow-up question is so, you know, based
25 upon the current using, you know, the--in the past

1 you used test year volumes. And this is a change
2 to that, right, to a different--like, in other
3 words, it's a different--you're not using the test
4 year for the volumes? You're using a--I guess
5 it's--what--the December to December volume, so I
6 guess my question is does it result in an ultimate
7 balance if there's a remainder of four million
8 dollars versus in the past; is that right?

9 MR. MENDENHALL: Right. But I guess the
10 reason why it's okay that there's a balance is
11 because going into the winter--this account is
12 very seasonal, so you're going to have, you
13 know--what you ideally want is a decent size--not
14 a decent size amount, but a--going into the winter
15 season, you're at your peak. Then as you go
16 through your winter season, you kind of hit your
17 trough. And then when you go through December,
18 you build that up again. And so that's really
19 what we're trying to do is, you know, line things
20 up so that ultimately, you know, we're hitting
21 zero twice a year and we're minimizing interest
22 expense.

23 THE HEARING OFFICER: Okay. That's
24 helpful. Thank you. And, like I said, you know,
25 I'll just, you know, obviously, I'll have more

1 questions as we go through this, but that's very
2 helpful. I appreciate it.

3 Was there anything else, Ms. Clark, your
4 questions of--

5 MS. CLARK: No.

6 THE HEARING OFFICER: Okay. With that,
7 let's go ahead and move on to the Division.

8 Ms. Schmid.

9 MS. SCHMID: Thank you very much. The
10 Division would like to call Mr. Eric Orton as its
11 witness. Could he please be sworn?

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

15 MR. ORTON: Yes.

16 THE HEARING OFFICER: Thank you.

17 ERIC ORTON,
18 having been first duly sworn, was
19 examined and testified as follows:

20 EXAMINATION

21 BY-MS.SCHMID:

22 Q. Good morning.

23 A. Morning.

24 Q. Could you please state your full name,
25 business address, title, and employer for the

1 record.

2 A. My name is Eric Orton. That's O-R-T-O-N.
3 What else did you say? My business address is 160
4 East 300 South, Salt Lake City. I'm here in the
5 Heber Wells building. I'm the utility analyst for
6 the Division of Public Utilities.

7 Q. Thank you. In your role as the Division
8 analyst, did you participate on behalf of the
9 Division in this docket?

10 A. I did.

11 Q. Did you prepare or cause to be prepared
12 under your direction the action request response
13 memorandum filed, I believe, November 19, 2014?

14 A. That's right, yes.

15 Q. Do you adopt what is stated therein, the
16 narrative and the exhibit, as your testimony
17 today?

18 A. Yes.

19 Q. Do you have a brief summary and comments
20 to make?

21 A. I do.

22 Q. Thank you.

23 A. Docket 14-057-26 is a request to decrease
24 the amount amortized in the energy deficiency
25 deferred account balance. In its order May 2011,

1 the Commission approved rates to reduce the energy
2 efficiency balance to be at or near zero over the
3 course of three years. Three year amortization
4 period is now complete and a change is needed.

5 The Commission's amended action request
6 specifically directed the Division to explain how
7 to keep the account balance at or near zero and to
8 provide the number of decatherms. I believe we
9 did that in Exhibit 1.1 of our response.

10 Additionally, four days ago a few more
11 questions were answered. Mr. Mendenhall addressed
12 some of those, but we would like to speak to them,
13 as well. In the past, the decatherms were--the
14 calculation was basically dividing the budget by
15 the decatherms on an annual basis. That leads to
16 a different amount than what we have in the
17 proposal here. By doing a few changes with the
18 proposed rate, you can see that the proposed rate,
19 according to Exhibit 1.1, is five months, December
20 through April. You can see that the volumes are a
21 different time period, as well. And the budget is
22 for a calendar year of 2015. So by those changes,
23 it affects a few things. Maybe we could--I tried
24 to illustrate--

25 THE HEARING OFFICER: Just for the

1 record, are you talking about your Exhibit 1.1?

2 MR. ORTON: Yes.

3 MS. SCHMID: And, if I may, to assist
4 understanding Mr. Orton's testimony, the Division
5 has prepared a second exhibit, which is labelled
6 here as DPU Exhibit 1.1, but I would like to mark
7 as hearing exhibit--DPU Hearing Exhibit 1.

8 Please proceed.

9 THE HEARING OFFICER: Patricia, if you
10 have another one for the--

11 MS. SCHMID: Yes.

12 THE HEARING OFFICER: We're marking this
13 as hearing exhibit--

14 MS. SCHMID: DPU Hearing Exhibit 1, if we
15 may.

16 Exhibit-1 marked

17 MR. ORTON: And there's a lot of numbers
18 in this, but, basically, I just wanted to use this
19 to point out a few things that the difference in
20 the Company's new calculations, new methodology
21 demonstrates. And so if we look at the bottom
22 half of that, the right-hand column, the rate,
23 third row down, December '14, you see the \$0.28 is
24 the rate? That would be the rate if the amount is
25 divided by the volumes as was done in the past.

1 But, also, as we can see from that lower
2 section, if we go to the bottom of the interest
3 rate column, you can see that that's \$168,000. If
4 we compare that to what the Company's proposal is,
5 interest rate expense, or, I guess, income for
6 them, expense for the customers, we see quite a
7 difference in \$161,000.

8 And then the third thing I wanted to
9 point out with this was that if we compare the
10 column ending balance from the top part of that
11 form we see in June, around June, we get to a zero
12 balance, whereas if we did it the old way, around
13 August we would get to a zero-ish balance. Do you
14 see that, \$3,500 in June, column ending balance?
15 And \$83,000 in August of next year.

16 So I wanted to use those as a little
17 comparison to basically say that the questions
18 from a few days ago ask for the reasons and the
19 results. The results are what we could speak to.
20 And the results are basically twofold. One is
21 that we would collect the rates where we would get
22 to zero sooner. And we believe that's a good
23 thing not just to get there sooner, but because
24 the proposed rate period ends in April of next
25 year.

1 So we suppose there would be a new filing
2 by then. And getting the rates closer to zero
3 closer to April would be more appropriate. And
4 also the interest balance or the interest expense
5 amount it's so different. So that's all I wanted
6 to use that exhibit for.

7 So, anyway, if the energy efficiency
8 deferred account balance is approved by the
9 Commission, the typical GS customer will see a
10 decrease in annual bill of \$11.48 or 1.54 percent.
11 And the Division continues to recommend that the
12 Commission approve this proposed rate on an
13 interim basis till a complete audit can be
14 finished, performed.

15 We further recommend that the proposed
16 tariff sheets, even as we talked about that
17 earlier with the changes in those three numbers,
18 the section, the page, and the--what--the other
19 one was--advice number be accepted.

20 THE HEARING OFFICER: Okay.

21 BY MS. SCHMID:

22 Q. Is it your testimony, then, that the
23 Division believes these interim proposed rates are
24 just, reasonable, and in the public interest?

25 A. That's right, yes.

1 MS. SCHMID: Thank you. The Division
2 would like to move for the admission of DPU
3 Hearing Exhibit 1.

4 THE HEARING OFFICER: Any objection?

5 MR. OLSEN: No objection.

6 MS. SCHMID: And with regard to the
7 Division's memo dated November 19th, would the
8 Commission like to take administrative notice of
9 that as it was filed in the docket or would you
10 like me to move that into evidence here as well?

11 THE HEARING OFFICER: Let's move it into
12 evidence.

13 MS. SCHMID: In that case, I would like
14 to propose that the Division's memorandum dated
15 November 19, 2014 entitled Action Request Response
16 regarding Docket Nos. 14-057-26 and 14-057-27, and
17 insofar as relevant here in the matter of the
18 application of Questar Gas Company to amortize the
19 energy efficiency deferred account balance be
20 admitted as DPU exhibit Hearing Exhibit 2.

21 THE HEARING OFFICER: Any objection?

22 MR. OLSEN: No objection.

23 THE HEARING OFFICER: It's received.

24 Thanks.

25 MS. SCHMID: Thank you. That's all for

1 the Division.

2 THE HEARING OFFICER: Is there any cross
3 for Mr. Orton?

4 MS. CLARK: No. Thank you.

5 THE HEARING OFFICER: So let me just--if
6 I can just--I happen to have some further
7 questions for the panel witnesses. But so if I'm
8 hearing you correctly--and tell me if I'm
9 mischaracterizing this wrong--but based upon the
10 explanation of the Company's witness in their
11 filing, you believe that approving these rates
12 would be just and reasonable, in the public
13 interest, but with the understanding that there
14 may be a correction, you know, at some point to,
15 again, look at the ultimate goal of getting that
16 balance to zero and--but based upon what they're
17 kind of trying to accomplish in altering the
18 volumes from test year to the current time; is
19 that right?

20 MR. ORTON: Exactly.

21 THE HEARING OFFICER: Okay, perfect.
22 That's great. Thank you.

23 Okay. Sorry, did you have something?

24 Okay, great. Mr. Olsen?

25 MR. OLSEN: Your Honor, the Office has no

1 comment on this at the time, but Mr. Mangelson
2 will be available if the Commission has any
3 questions of him.

4 THE HEARING OFFICER: Okay. With that,
5 let me--and you're welcome to come up,
6 Mr. Mangelson, because I guess the question I
7 would have for the Office is does the Office--and
8 feel free to come on up. And why don't we--if
9 it's all right, we could swear him in.

10 Okay. Why don't you go ahead and raise
11 your right hand. Do you solemnly swear to tell
12 the whole truth and nothing but the truth?

13 MR. MANGELSON: Yes.

14 GAVIN MANGELSON,
15 having been first duly sworn, was
16 examined and testified as follows:

17 BY-THE HEARING OFFICER:

18 Q. Does the Office have an opinion or
19 recommendation with respect to filing or
20 commentary on, you know, Mr. Mendenhall's, you
21 know, explanation to those methodological changes?

22 A. No. The Office will just agree with what
23 Mr. Mendenhall said about the advisory groups,
24 occupational and minimizing the interest charges.

25 Q. Does the Office have--

1 A. The Office does agree with the Company's
2 proposal and the proposed rates.

3 Q. So I don't want to put words in your
4 mouth, but you did say the Office's recommendation
5 is to approve because they're just, reasonable,
6 and public interest, or is there a recommendation,
7 I guess, or--

8 A. Sure. Now that you're asking. We didn't
9 file comment in this docket, but yes.

10 THE HEARING OFFICER: Okay. All right.
11 A couple of other follow-up questions before I
12 move on to the next docket. This is--and I
13 apologize to the Company. I probably should have
14 done this before we received as evidence
15 application. But just on--I guess the question
16 for clarification of potential correction, this is
17 on page four, paragraph six, of the application,
18 it reads the annualized change in the rates
19 calculated in this application is
20 1.5--1.54 percent decrease or 11.48 for your--you
21 know. So I guess my question is does that intend
22 to be a 1.54 percent decrease?

23 MR. MENDENHALL: Yes.

24 THE HEARING OFFICER: Okay. So I guess
25 the question--I'll turn this to--procedurally, do

1 you want to move to amend that?

2 MS. CLARK: Yeah. The Company would move
3 to amend the Questar Gas Company Hearing Exhibit 1
4 to reflect that correction.

5 THE HEARING OFFICER: Okay.

6 MS. CLARK: Thank you.

7 THE HEARING OFFICER: Any objection with
8 that correction received in evidence the
9 application? Okay, that's received.

10 Okay. The question, I guess, for
11 Mr. Mendenhall, I'm just trying to kind of figure
12 out, I guess, how you arrived at the \$13 million
13 decrease. When I look at the last case with the
14 balance of, you know, approximately 37 million,
15 and then, you know, this case working around
16 \$28 million, I'm just trying to reconcile the
17 decrease in this case.

18 MR. MENDENHALL: I think in those prior
19 filings we put a footnote in there that it's
20 explained how it's calculated. We omitted it from
21 this filing. So maybe I can walk you through it.

22 So, as I mentioned earlier, we used
23 the--we used the test period volumes, same
24 projected volumes that we used in interim resource
25 plan. And going back to DPU Exhibit 1.1, if you

1 look at the December 2014 number of 16.3 million
2 on the decatherm volumes column and then go all
3 the way down to November '15, amount of 11 million
4 decatherms, if you sum all those decatherms up, it
5 ends up being 100,558,813. And if you multiply
6 that number--so that's the projected usage that we
7 think we'll have in the test period. If you
8 multiply that number by the \$0.24 rate, you end up
9 with a \$24,477,000 amortization amount. So--

10 MS. CLARK: In the interest of a clear
11 record, I want to clarify that Mr. Mendenhall was
12 referring to the attachment to DPU Hearing Exhibit
13 2, not to be confused with DPU Hearing Exhibit 1.

14 THE HEARING OFFICER: No, I appreciate
15 that. So it's helpful to clarify that. Thank
16 you.

17 I think that's all the questions I have
18 on that docket. Is there any other further issues
19 to address or matters to address on that docket
20 before we move on to the infrastructure docket?
21 Anything else?

22 Okay. With that, why don't we go ahead
23 and turn back to Ms. Clark. This is Docket
24 14-057-27 regarding Questar's application to
25 change the infrastructure rate adjustment.

1 MS. CLARK: The Company would call
2 Mr. Jordan Stephenson.

3 THE HEARING OFFICER: Go ahead and raise
4 your right hand. Do you solemnly swear to tell
5 the whole truth and nothing but the truth?

6 MR. STEPHENSON: Yes.

7 JORDAN STEPHENSON,
8 having been first duly sworn, was
9 examined and testified as follows:

10 EXAMINATION

11 BY-MS.CLARK:

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

14 A. Jordan Stephenson, 333 South State, Salt
15 Lake City.

16 Q. And what position do you hold with the
17 Company?

18 A. I'm a regulatory affairs analyst.

19 Q. Did you participate in and oversee the
20 preparation of the application in this docket?

21 A. Yes.

22 Q. And would you adopt its contents and the
23 contents of its attachments with your testimony
24 today?

25 A. Yes.

1 MS. CLARK: The Company would move for
2 the admission of the application and attachments
3 in this matter.

4 THE HEARING OFFICER: Any objection?

5 MR. OLSEN: There's no objection.

6 THE HEARING OFFICER: They're received.

7 MS. CLARK: Thank you.

8 BY MS. CLARK:

9 Q. Mr. Stephenson, would you please
10 summarize the relief the Company seeks?

11 A. Yes. In Docket No. 14-057-27, the
12 application of Questar Gas Company to change the
13 infrastructure rate adjustment, the Company is
14 proposing to adjust the infrastructure rate to
15 include investment related to high pressure and
16 intermediate high pressure infrastructure
17 replacement projects that were in service as of
18 October 31st, 2014.

19 The majority of the incremental
20 investments and select tracker filing comes from
21 feeder line six in Salt Lake County and feeder
22 line 36 in South Jordan. The Company is
23 requesting a \$4.3 million increase in annual
24 revenue. If approved, this would increase the
25 typical GS customer's annual bill by \$3.44 per

1 year or .46 percent.

2 The impact of this docket along with the
3 energy efficiency adjustment in Docket 14-057-26
4 is an overall decrease to the typical general
5 service customer of about \$8 per year or a
6 1.1 percent decrease. And this concludes my
7 summary.

8 MS. CLARK: Thank you. Mr. Stephenson is
9 available for any questions.

10 THE HEARING OFFICER: Is there any cross
11 for Mr. Stephenson?

12 Ms. Schmid.

13 MS. SCHMID: Thank you. The Division
14 would like to call Mr. Eric Orton as its witness.
15 Could he please be sworn in this docket?

16 THE HEARING OFFICER: He remains sworn so
17 we can--

18 EXAMINATION

19 BY-MS.SCHMID:

20 Q. And, Mr. Eric Orton, you remain employed
21 by the Division as a utility analyst--

22 A. As far as I know.

23 Q. --with a business address of 168 East 300
24 South, Salt Lake City, Utah?

25 A. That's right.

1 Q. On behalf of the Division in your
2 capacity as a utility analyst, have you
3 participated in this docket?

4 A. Yes, I did.

5 Q. Did you prepare or cause to be prepared
6 under your direction the Division's Action Request
7 Response Memorandum dated November 19, 2014
8 entitled Action Request Response Regarding Docket
9 Nos. 14-057-26 and 14-057-27 and as pertinent
10 today in the matter of the application of Questar
11 Gas Company to change the infrastructure rate
12 adjustment?

13 A. Yes.

14 Q. Do you adopt the Division's memorandum
15 and its exhibit as your testimony today?

16 A. Yes, I do.

17 MS. SCHMID: The Division would like to
18 mark the memorandum. Would you like this admitted
19 in this docket, as well?

20 THE HEARING OFFICER: No. If you already
21 did it, that's fine.

22 MS. SCHMID: Perfect.

23 BY MS. SCHMID:

24 Q. Mr. Orton, do you have a summary?

25 A. I do.

1 Q. Please proceed.

2 A. Thanks. Docket 14-057-27 is a request to
3 increase the infrastructure replacement rate. In
4 the general rate case order in February of this
5 year, the Commission set the infrastructure rate
6 balance at zero and authorized the Company to
7 continue the Infrastructure Tracker Pilot Program.

8 As part of that order, the Company was to
9 defer increasing customer's rates until
10 \$84 million worth of infrastructure investment had
11 been completed and placed into service. This
12 includes investment in the intermediate high
13 pressure as we just heard.

14 According to the Company's records, they
15 exceeded that \$84 million. It's been invested,
16 closed, and placed into service as of
17 October 31st, 2014. The Company now proposed to
18 collect the remaining amount in rates.

19 If the infrastructure rate adjustment is
20 approved, the typical GS customer will see an
21 increase in their annual bill of \$3.44 or
22 4.6 percent. The Division believes this
23 application shows compliance to the Commission's
24 order, to defer collecting the infrastructure
25 investment from customers until the \$84 million

1 has been spent. Add that to the proposed tariff
2 sheets with the--the additions that we talked
3 about earlier would reflect that rate. Therefore,
4 the Division recommends that the Commission
5 approve the proposed infrastructure rates on an
6 interim basis until the Division can complete its
7 audit at which time we will make the final
8 recommendation to the Commission. At this point
9 these rates would be just and reasonable.

10 Q. Two more things. And is the Division
11 recommending that these rates be adopted on an
12 interim basis?

13 A. Yes.

14 Q. Also, could you briefly describe what the
15 Division has done to this point to verify the
16 Company's application recognizing that further
17 auditing procedures will be undertaken?

18 A. Yes. We met with the Company. We
19 reviewed their numbers. We looked into some of
20 the invoices to try to validate the dollars in the
21 application. The 114 million or so seemed
22 reasonable at this point and as well as verifying
23 the other exhibits, Exhibits 2 through 6, as I
24 recall.

25 MS. SCHMID: Thank you. That is all from

1 the Division. Mr. Orton is now available for
2 questions from the Commission and
3 cross-examination.

4 THE HEARING OFFICER: Is there any cross
5 for Mr. Orton?

6 MS. CLARK: No. Thank you.

7 THE HEARING OFFICER: I may have some
8 questions to keep you here if that's okay.

9 Mr. Olsen.

10 MR. OLSEN: Thank you, Your Honor. The
11 Office has offered no written comment on this
12 matter, but Mr. Mangelson is available if the
13 Commission wants to ask him any questions.

14 THE HEARING OFFICER: Does the Office
15 have a recommendation or otherwise on the--

16 MR. MANGELSON: Would you like me to
17 introduce myself on the record?

18 THE HEARING OFFICER: Yeah. And I
19 apologize I didn't have you do that before. You
20 are sworn. Yeah, why don't you go ahead.

21 EXAMINATION

22 BY-MR.OLSEN:

23 Q. Mr. Mangelson, will you give your full
24 name for the record, please.

25 A. My name is Gavin Mangelson. I'm a

1 utility analyst for the Office of Consumer
2 Services. My address is 160 East 300 South here
3 in the Heber Wells building.

4 Q. Thank you.

5 A. Regarding this docket, the Office doesn't
6 have any objections, does not contest anything,
7 but we are also not prepared to make any kind of
8 endorsement.

9 THE HEARING OFFICER: Okay. Thank you.
10 Circling back on a few questions. This is more, I
11 guess, a matter of housekeeping so maybe I'll pose
12 this to all the witnesses, et cetera, from the
13 Company. But, you know, with respect to, you
14 know, approval of the infrastructure rates on an
15 interim basis, I guess part of my question is, you
16 know, we've had, you know, multiple approval
17 interim rates. I guess part of my question is
18 this is just more coming from whether or not the
19 Commission needs to keep tracking, you know, these
20 interim rates or whether, for example, in the
21 general case, you know, are those deemed prudent?
22 Is that when the prudence reoccurs? It's mostly
23 just, again, pondering out loud of, you know,
24 whether those rates become final, you know,
25 pursuant to approval of a general rate case

1 application or, again, if we need to keep tracking
2 those. Does that make sense, kind of what I'm
3 saying? I don't know if the Company has thoughts
4 on that.

5 MS. CLARK: Mr. Mendenhall does.

6 THE HEARING OFFICER: Okay.

7 Mr. Mendenhall.

8 MR. MENDENHALL: --hearing and the
9 Division can correct me when I'm wrong. But our
10 understanding was that these rates would be
11 interim until the next general rate case. And the
12 Division and other interested parties would have
13 the option to audit those. I believe in the last
14 general rate case, and I can't remember if it was
15 just in discussion or if it was actually written
16 in the settlement, but, basically, all of the
17 costs that were placed in service before
18 January 1st of 2013 were kind of approved as final
19 in that case. And so going forward, any of the
20 costs from January 1st, 2013 onward would be
21 subject to audit, subject to review, subject to
22 interim rates until the next general rate case.
23 And I would love if the Division could weigh in
24 and agree with me or disagree with me.

25 THE HEARING OFFICER: Mr. Orton?

1 MR. ORTON: And what if we don't? Sorry.
2 What he said is accurate, but we need to
3 see an additional step in that process. As we go
4 through and do our audit of this account, we see
5 that also as a time where if we see something that
6 should be brought up, we will bring that up at
7 that time and make a recommendation formally to
8 the Commission if something changed. Outside of
9 that, it's true that if a rate case is a almost
10 automatic completion of an audit. So we see that
11 as another step. And we muse about that, as well,
12 quite often.

13 THE HEARING OFFICER: So--and, again,
14 tell me if I'm mischaracterizing. So it sounds
15 like that for purposes of these interim rates, the
16 Division intends to conduct an audit, you know,
17 and but for those rates that were, you know, the
18 costs, the last rate cases, those will obviously
19 be subject to audit and will be for this. And do
20 you--I mean, I know in the rate case stipulation
21 there was a stay out. I mean, is it the intent of
22 the Division to have an audit before the next rate
23 case or to finalize those rates?

24 MS. SCHMID: May we go off the record for
25 just one moment?

1 THE HEARING OFFICER: Absolutely. That's
2 fine.

3 (Discussion off the record.)

4 THE HEARING OFFICER: Okay. Why don't we
5 go back on the record. Okay. So I think where we
6 left it we had a--you know, we were discussing
7 this concept of, you know, interim rates and, you
8 know, audits and the context of rate cases. So I
9 think we left off with Mr. Orton so I will turn it
10 back to him if you had follow up.

11 MS. SCHMID: And if I may interject and
12 throw the ball a different direction.

13 THE HEARING OFFICER: You may.

14 MS. SCHMID: I think that the Company has
15 an explanation that may be helpful.

16 THE HEARING OFFICER: Okay. That's fine.
17 I'll turn it over, then, to Mr. Mendenhall.

18 MR. MENDENHALL: Okay. So let me kind of
19 start from the beginning and I'll walk you through
20 the different periods of time. So up through
21 January 1st of 2013, those costs have already been
22 audited by the Division and already approved in
23 general rates and we're kind of done with those.

24 In the last rate case, the Division still
25 had not had the chance to review an audit, the

1 2013 costs. So as part of stipulation, the
2 parties agree--those costs were in general rates,
3 but as part of the stipulation, it was agreed that
4 we would give them the opportunity to review the
5 2013 costs, as well as the costs going forward in
6 2014, 2015. And those 2013 costs are part of the
7 \$84 million that Mr. Stephenson spoke about.

8 So the Division has the opportunity to
9 audit those costs as well as the costs in this
10 proceeding. And they can--they can complete that
11 audit before the next general rate case. And if
12 they do, then those--you know, assuming that they
13 find no problems, then those rates can become
14 final before the general rate case. But they need
15 to have that audit complete by the general rate
16 case. Because what happens is when the rate case
17 is completed, all of those costs in that feeder
18 line tracker become costs in general rates and the
19 feeder line tracker is wiped to zero and started
20 new. So that's kind of the procedure and the time
21 line that the Division is under.

22 THE HEARING OFFICER: So, just to
23 clarify, are there--based upon supposition, are
24 there costs in general rates that are potentially
25 subject to an audit and--

1 MR. MENDENHALL: Yes. So anything that
2 was placed in service after January 1st of 2013
3 are subject to an audit, yes.

4 MS. CLARK: And may I ask a clarifying
5 question, as well, that may be helpful?

6 THE HEARING OFFICER: Yes.

7 BY MS. CLARK:

8 Q. Is it correct to say that those costs are
9 reflected in the \$84 million Mr. Stephenson spoke
10 about that have to be spent before we start
11 collecting additional dollars?

12 A. Correct.

13 Q. And assume for the sake of argument that
14 the Division in auditing those dollars recommended
15 an adjustment. When would that adjustment occur?

16 A. That adjustment would take place in the
17 next feeder line track file.

18 THE HEARING OFFICER: Thank you. You
19 asked my questions, so I appreciate that.

20 Did you have anything further, Mr. Orton,
21 that you wanted to add?

22 MR. ORTON: No, not really. After you
23 asked the question and gave us a few minutes, we
24 met with our auditor and conferred. And
25 Mr. Mendenhall accurately--was our representative,

1 as well, apparently.

2 THE HEARING OFFICER: Okay. Did you have
3 anything further, Mr. Mangelson?

4 MR. MANGELSON: No.

5 THE HEARING OFFICER: Okay. Another
6 question. This is--I guess this is for
7 Mr. Stephenson, and if you don't know off the top
8 of your head, I understand. But I guess one
9 question I have--and I'm looking, for example, at
10 feeder line No. 35, which is a hundred foot
11 placement in Herriman. I guess the question is is
12 there a criteria or does the Company have a
13 determination of threshold when something is O&M
14 versus capital or is there a distinction?

15 MR. STEPHENSON: Yes. Well, basically,
16 if it's--we just follow general accounting
17 guidelines as far as what qualifies as O&M and
18 capital. So you'd claim that. It all goes
19 through accounting. And is that--I mean, I don't
20 know. It's just basically accounting rules.

21 THE HEARING OFFICER: It's just GAAP?

22 MR. STEPHENSON: All of our accounting
23 reporting, yep, GAAP.

24 THE HEARING OFFICER: That answers my
25 question. One other item--and then I think we're

1 getting ready to recess here--is I'm just looking
2 at the cost of service allocations. This is in
3 Exhibit 1.2 of the Company's application in this
4 docket. And I'm recognizing that, you know, folks
5 may not have an answer to this, but, this is, you
6 know, the Commission pondering out loud.

7 These are based upon the rate case. This
8 is in the tariff, these allocations. And, again,
9 we're not addressing this for purposes of this
10 docket. We understand that these are the
11 allocations that were posed and recommended for
12 approval by the Division. I guess the question,
13 though, is there any consideration of updating
14 these allocations based upon the most recent DMG
15 case like, for example, the depreciation case or
16 is it parties--you know, any thoughts on that?
17 Mr. Orton.

18 MR. ORTON: There has been some thought
19 on it. However, a rate case is a great starting
20 point. So we like to stick to those as much as
21 possible because they are such large platforms to
22 go forward on. So that's why we stick with that.

23 THE HEARING OFFICER: Okay. Anything
24 else the Company wants to add or--again, we're not
25 talking about--it was just more of a kind of a

1 general question if that's helpful.

2 I'm seeing--I'm seeing--why don't we go
3 off the record for just a second here.

4 (Discussion off the record.)

5 THE HEARING OFFICER: Why don't we go
6 ahead and go back on the record.

7 MS. CLARK: Mr. Mendenhall has some
8 clarifications on the last question.

9 THE HEARING OFFICER: Okay, thanks.

10 MR. MENDENHALL: So we think you're
11 correct, the cost of service spread that came out
12 of the depreciation study should be one that's
13 applied to these rates. We're not sure if they're
14 different or not and so we would ask, maybe, if we
15 can go back and look at that filing and maybe
16 confer with the Division. And if there does need
17 to be a change made, I guess we would need to
18 probably file something supplemental.

19 THE HEARING OFFICER: So let me ask. So
20 these are--we've got a requested effective date of
21 December 1st, right?

22 MR. MENDENHALL: Right.

23 THE HEARING OFFICER: Sorry about that.
24 Can you hear me now? I apologize. What I just
25 said for everyone's purposes, we have a requested

1 effective date December 1st so help me understand.
2 Would it be that--are you requesting a bench order
3 for approval of that and that's subject to a
4 potential updated filing or how--just--

5 MS. CLARK: Yeah. I think what the
6 Company would request is a bench order approving
7 the rates on an interim basis. And we would
8 commit--and I may be speaking out of turn--the
9 next few days to confirming that this cost of
10 service allocation spread is correct and
11 supplemental--conferring with the Division as well
12 and then filing a supplemental pleading with the
13 Commission either confirming or recommending
14 whatever adjustments ought to occur.

15 THE HEARING OFFICER: And so is it your
16 recommendation--not recommendation, but are you
17 suggesting that you think--you said it should be
18 allocated based upon the depreciation allocation?

19 MS. CLARK: Yeah.

20 THE HEARING OFFICER: Okay.

21 MS. CLARK: Yeah. Those were approved in
22 the last general rate case. And our belief is
23 that they are probably or they may be, but we
24 would like the opportunity to confirm that. We
25 don't want to speak out of turn and we didn't come

1 with those numbers.

2 THE HEARING OFFICER: And I apologize. I
3 didn't mean to pull it out. It was more of a
4 question for maybe potential future filings.
5 That's fine if you want to do that. That makes
6 sense.

7 Okay. Why don't we go ahead and take a
8 brief recess because I got a request for a bench
9 ruling and I'm assuming on both of these
10 applications. Okay, thanks.

11 (Recess taken.)

12 THE HEARING OFFICER: Go ahead and go
13 back on the record. Before we went into recess,
14 we had a request for a bench order for the two
15 applications that are of issue in the hearing
16 today. I'm trying to make sure that we kind of
17 dot our I's and cross our T's. So maybe let's
18 just take these one at a time. I think the first
19 one, which is Docket 14-057-26, is kind of the
20 easier one. Having considered Questar's
21 application, the comments filed in the docket, the
22 testimony presented today, and the fact that the
23 application was unopposed, the Commission finds
24 approval of that application on an interim basis
25 as just, reasonable, and in the public interest

1 and concludes that such approval is consistent
2 with relative statutes, rules, and Commission
3 orders, and, therefore, approves the application
4 in Docket 14-057-26 on an interim basis until such
5 time as the Division completes an audit of the
6 entries with their respective accounts.

7 This bench order has been approved by the
8 Commission and a written memorialization of this
9 decision will be filed after the completion of the
10 audit. The Commission directs the Division to
11 issue memorandum to the Commission with its
12 recommendations on making the request rate change
13 in that docket permanent.

14 The--we've had discussion today about the
15 tariff sheets in that docket and request that they
16 would be--the recommendation that they are
17 approved subject to updates with respect to
18 certain--one of the specific elements that has
19 been left out that needs to be filed is a
20 compliance filing essentially. So, in other
21 words, they're approved subject to a couple
22 updates. Do you want to go ahead, Mr. Orton?

23 MR. ORTON: It's just the page number and
24 the advice number and the section number. Those
25 are the only things we need to update.

1 THE HEARING OFFICER: Okay. So moving on
2 to Docket 14-057-27, this one is a little bit more
3 complex, I guess. So we have--before recess we
4 discussed the current--the tariff includes cost
5 allocations and makes reference to the rate case
6 Docket 13-057-05. And I'm not sure if the parties
7 conferred or not during recess. I'm just looking
8 at the--I think allowed to understand that there's
9 a request for effective date December 1st. Is it
10 the Company's intention that they would refile
11 tariff sheets with, you know, a cost allocation
12 that would be consistent with the tables if the
13 order and depreciation case, which is Docket
14 13-057-19?

15 MR. MENDENHALL: Yes.

16 THE HEARING OFFICER: Okay. And also
17 understanding, again, we have an expedited
18 schedule here, let me propose something to the
19 parties. Would it be something to consider for
20 the Company to, I guess, confer with the Division
21 and Office and whomever else, you know, that
22 there's a representation that whatever
23 they're--you know, in other words, that they
24 essentially reviewed and approved those and that
25 way we wouldn't have to do a supplemental action

1 request and quickly as possibly I guess is
2 that--would that make sense?

3 MS. CLARK: Yes. And as we were
4 conferring while we were in recess, we intend to
5 get to the bottom of that today and we expect that
6 we could have some sort of supplemental filing
7 either confirming that what you currently have is
8 complete and accurate or updating the tariff
9 sheets by tomorrow. Is that correct?

10 MR. MENDENHALL: Yes.

11 MS. CLARK: Today if we can.

12 THE HEARING OFFICER: No problem.

13 MS. CLARK: Commit by tomorrow.

14 THE HEARING OFFICER: That was going to
15 be my next question. That would be helpful.

16 MS. CLARK: We think we can do it today.
17 I don't want to over promise because I'm not the
18 one doing the work.

19 THE HEARING OFFICER: Okay. Okay. So
20 with that, why don't we move on to this docket in
21 terms of the request for the bench order. Having
22 considered Questar's application, the comments
23 filed in this Docket 14-057-27, the testimony
24 presented today, and the fact that the application
25 is unopposed, the Commission finds approval of

1 that application on an interim basis as just,
2 reasonable, and in the public interest, and
3 concludes that such approval is consistent with
4 relevant statutes, rules, and Commission orders,
5 and, therefore, the Commission approves the
6 application in Docket 14-057-27 on an interim
7 basis until such time as the Division completes an
8 audit of the entries to the respective accounts.

9 This bench order has been approved and
10 confirmed by the Commission. And a written
11 memorialization of this decision will be filed
12 after the completion of the audits. The
13 Commission direct the Division to issue memorandum
14 to the Commission with its recommendation on
15 making the requested rate change in this docket
16 permanent.

17 The approved--the filed tariff sheets at
18 this juncture are not approved. We have
19 representation from the Company and parties that
20 they will file something, you know, as
21 expeditiously as possible to--with either updated
22 tariff sheets or confirming that the ones that
23 were filed are--accurately represent the cost
24 allocations. And so either--again, it will be
25 either a filing, or a compliance filing with

1 recommendations shortly with the Company and the
2 Division or an updated tariff sheets with the
3 same. Is that correct?

4 MS. CLARK: Yes.

5 THE HEARING OFFICER: Okay. Is there any
6 other housekeeping matters that we need to address
7 before adjourning?

8 MS. CLARK: No.

9 THE HEARING OFFICER: Okay. Well, I
10 really appreciate everyone's participation and
11 have a great holiday. We're adjourned. Thanks.

12 MS. SCHMID: Thank you.

13 (Hearing concluded at 11:21 a.m.)

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE

This is to certify that the foregoing proceedings were taken before me, NANCY A. FULLMER, a Registered Merit Reporter and Notary Public in and for the State of Utah;

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

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



Nancy A Fullmer

Nancy Fullmer, RMR