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Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: **Public Service Commission**

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Artie Powell, Manager

Date: January 10, 2012

Subject: Docket No. 11-057-16, Application of Questar Gas Company to Include the Infrastructure Rate Adjustment.

ISSUE:

On December 29, 2011, Questar Gas Company (QGC) filed an application with the Utah Public Service Commission (Commission) requesting permission to update the infrastructure rate adjustment mechanism component of the DNG rates in their GS, FS, IS, TS, FT-1, MT and NGV rate schedules of their Utah Natural Gas Tariff PSCU 400. On January 3, 2012, the PSC issued an Action Request to the Division of Public Utilities (Division) to investigate the tariff filing. This is the Division response to that Action Request.

RECOMMEND APPROVAL:

The Division recommends the Commission approve, on an interim basis, QGC'S revised filed tariff sheets reflecting an increase in the infrastructure rate adjustment component of the DNG rates in the Company's Utah Natural Gas Tariff PSCU 400, with an effective date of February 1, 2012.

DISCUSSION:

The Division reviewed the tariff sheets attached as exhibit 1.5 as well as the exhibits showing the calculations, filed with the PSC on December 29, 2011, and agrees with the methodology used by QGC, as shown in Exhibits 1.1 through Exhibits 1.4 of the filing, to support their request to increase the current infrastructure rate adjustment component of the DNG rates of all rate schedules in their Utah Natural Gas Tariff.

Exhibit 1.1, page 1 and 2 of 3, line 23 details the cumulative feeder line replacement projects of \$90.9 million in additions to investment plant through December 2011. Of the \$90.9 million spent year-to-date, \$55.4 million was spent in 2011. This \$55.4 million compares to a 2011 budget request of \$45.0 million. QGC indicates the reason for the increase in 2011 costs from the expected budget is due to FL 12 exceeding budget by \$10.3 million due to (1) excessive water pumping and hauling caused by the wet spring, (2) unanticipated costs due to super fund site treatment costs incurred during excavation and (3) a required reroute of the feeder line around bridge pylons caused from uncertainty of the exact location of the bridge pylons.

Exhibit 1.1, page 3 details the calculation of the cumulative \$8.7 million additional revenue requirement necessary for the net increase of \$80.8 million in feeder line infrastructure replacement projects (\$90.9 million less \$10.1 million stipulated to be in base rates from Docket 09-057-16). The \$8.7 million cumulative revenue requirement is an increase of \$2.2 million from what is currently being collected in rates.

Exhibit 1.2 details the spread of the \$8.7 million in additional revenue requirement to the rate classes based on the same spread of the revenue requirement ordered in QGC last rate case in Docket No. 09-057-16.

Exhibit 1.3 details the new infrastructure rate component calculation of the DNG rates for each rate schedule in order to collect the \$8.7 million revenue requirement. The Division has not reviewed the detailed invoices used by the Company in deriving the dollar amounts that qualify for inclusion in this filing and therefore recommends that the rates continue to be approved on an interim basis until the Division completes an audit of the expenses contained in the filing.

As noted in Exhibit 1.4 of the filing, the effect of this increase on a typical GS residential customer's annual gas bill is an increase of \$1.98.

Exhibit 1.5 contains the tariff pages with the revised infrastructure rate components requested in this filing, which the Division has reviewed and agrees they are the rates shown in column I of Exhibit 1.3.

The Division recommends the Commission approve, on an interim basis, QGC's filed tariff sheets. These tariff sheets will show an increase in all the infrastructure rate components of the DNG rates in the rate schedules of QGC's Utah Natural Gas Tariff PSCU 400.

Cc: Barrie McKay, Questar Gas Company
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