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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: Public Service Commission

From: The Office of Consumer Services
Michele Beck, Director
Dan Martinez, Utility Analyst
Eric Orton, Utility Analyst

Date: April 11, 2011

Subject: Docket 11-057-T02

Application of Questar Gas Company to Make Tariff Modifications to Clarify the Method for Determining Allowances for Residential Main and Service Line Extensions

<u>Background</u>

On March 17, 2011, Questar Gas Company (the "Company") submitted its application to make modifications to Tariff Sections 9.03 – Main Extensions and 9.04 – Service Line Extensions. The Company allows certain amounts for contributions in aid of construction or (allowances) for hooking up new residential construction customers. Prior to 2002, the Company based these allowances on footage.

In docket 02-057-02, the Company proposed changing the calculation methodology from footage-based allowances to allowances based on average per-customer costs. The Company demonstrated in that docket that main, service lines, and meter costs for new customers were about $1,800. However, only about $570 of those costs were being assigned to the customer. Parties then agreed to set a combined allowance close to the midpoint between the costs for new and existing customers amounting to approximately $1,150. Since 2002, average embedded costs have increased while the allowances remained constant.

The Company now proposes to change the allowance to a formula reflecting ongoing changes in costs. Cost sharing would be shared equally between the individual new customer and existing customers (embedded in rates) consistent with the intent of the 2002 docket.

Discussion

Since 2002, the Company has inadvertently kept allowances constant in the midst of increasing costs. Under current tariff conditions, existing ratepayers have been carrying the costs of adding new customers. The Company by proposing this tariff change restores current practices to previously agreed upon terms. While this move increases costs to new customers, it more fairly assigns costs and fulfills the intent of the Commission order in docket 02-057-02. Lastly, the tariff modifications remove some regulatory burden as the fixed allowance amounts are replaced with a formula that can be applied over time without ongoing tariff modifications.

Through discussions with the Company and the Division, two items were identified that were not included with the original application. First, communicating changes to new customers and builders was not adequately articulated in the tariff modification. To remedy that situation, the Company has proposed that the dollar amount of the allowance be posted on its website, in addition to the formula. Customers can also contact Questar's toll free number for this information and any additional assistance. The second item deals with how the Company reimburses the allowance to builders to reflect current practice with the tariff. The Company provided the Office with draft language containing the website and the specific 800 number for customers seeking assistance and information about allowances. Furthermore, the draft language clarified how the Company would manage allowance disbursements. The modified tariff language is included with this memo. After reviewing the draft language, the Office is comfortable with the additional tariff sheet modifications provided by the Company.

Recommendation

The Office recommends that the Commission approve the currently proposed tariff modifications to tariff Sections 9.03 – Main Extensions and 9.04 – Service Line Extensions incorporating the additional language provided by the Company (included as an attachment to this memo).