- 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	)	DOCKET NO. 12-057-08
In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account	)	DOCKET NO. 12-057-09
In the Matter of the Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance	)	DOCKET NO. 12-057-10
In the Matter of the Application of Questar Gas Company for a Tariff Change and Adjustment to the Low Income Assistance/Energy Assistance Rate	)	DOCKET NO. 12-057-11
In the Matter of the Application of Questar Gas Company to Include the Infrastructure Rate Adjustment	)	DOCKET NO. 12-057-12
	)	REPORT AND ORDER

ISSUED: September 10, 2012

SYNOPSIS

The Commission approves five uncontested rate applications of Questar Gas Company, on an interim basis, pending the completion of audits by the Division of Public Utilities. The combined effect of these applications is to lower the annual bill of a typical GS residential customer using 80 decatherms per year by about $11.57.

By the Commission:

The five above-captioned rate applications were filed by Questar Gas Company ("QGC") on August 1, 2012. Each proposes discreet rate changes to be effective, on an interim basis, beginning September 1, 2012. In response to the Commission's August 2, 2012, action request, on September 16, 2012, the Division of Public Utilities ("Division") filed a memorandum ("Memorandum") indicating it has conducted a preliminary review of the applications. The Division states if all five applications are approved, the annual gas bill of a typical GS residential customer using 80 decatherms of gas per year will decrease by approximately $11.57.[1]

On August 21, 2012, the Commission convened a hearing, under the direction of a designated presiding officer. Each of the applications was examined consecutively. At the hearing, QGC testified to the truthfulness of the information presented in the applications. In addition, the Division adopted the Memorandum as its testimony in each docket and summarized pertinent portions. As stated in the Memorandum, the Division recommends the Commission approve the rate changes requested in each of the above-captioned applications, effective September 1, 2012, on an interim basis, pending completion of the Division's audits. The Division testifies the requested interim rates are just and reasonable.[2]

The Office of Consumer Services ("Office") also participated in the hearing and presented testimony indicating the Office has no objection to the Commission approving the requested interim rate changes in Docket Nos. 12-057-08, 09, 10, and12. As to Docket No. 12-057-11, the Office supports the level of low income assistance reflected in the respective application.

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[1] The comparative bill analyses presented by QGC and the Division do not include the effects of the Company's May 2012 one-time $42.0 million refund to customers addressed in Docket No. 12-057-05, *In the Matter of the Application of Questar Gas Company for an Adjustment to the 191.1 Balancing Account by Means of a Special One-Time Refund.*
[2] *See* Transcript of Hearing, August 21, 2012, p.38.

At the conclusion of the hearing, the Commission authorized the presiding officer to issue an order approving, on an interim basis, the rate changes requested in the five applications. This order memorializes that prior oral ruling. The evidence supporting each application is uncontested and is briefly summarized below.

DOCKET NO. 12-057-08

This application is based on projected Utah gas costs of $529,432,681 for the test year of September 2012 through August 30, 2013 ("Test Year"). The net commodity portion of this forecast results in a rate decrease of $464,000 and the net Supplier Non-Gas ("SNG") portion results in a $5,256,000 rate decrease, for a total decrease of $5,720,000 in rates for firm sales customers.

QGC's application in this docket, and the Division's analysis presented in the Memorandum, forecast a total Test Year Utah gas supply requirement of 113.3 million decatherms. QGC projects it will meet this requirement with 65.9 million decatherms of Wexpro production (58.2 percent of the total) and 47.4 million decatherms (the remaining 41.8 percent of the total) purchased from third party producers. QGC forecasts the net well head Wexpro gas production cost[3] to be $4.33/decatherm, which is an increase of $0.48/decatherm over QGC's last filing in Docket No. 11-057-09. The total Wexpro gas production cost (i.e., the sum of net well head gas production costs and gas gathering costs) is forecast to be $4.60/decatherm, which is an increase of $0.38/decatherm over QGC's last filing in Docket No. 11-057-09. As to purchases from third party producers, QGC projects a total average purchase cost of

[3] The "net well head Wexpro gas production cost" is calculated by subtracting revenues associated with Wexpro gas production from Wexpro gas production costs.

$3.32/decatherm for the test year. The forecast of natural gas spot prices used as a basis for this projection reflects spot market prices increasing from $2.49/decatherm in September 2012 to $4.16/decatherm in August 2013. The combined effect of the foregoing Wexpro and third party supply forecasts, and associated revenue forecasts, is a commodity rate decrease from $4.16664/decatherm to $4.16215/decatherm, resulting in a decrease in Test Year commodity gas costs of $464,000 for firm sales customers.

SNG costs are based on contractual rates for services such as gathering and processing the Wexpro gas from well heads to market hubs, transporting gas from market hubs to city gates, and storing gas for later withdrawal during winter months. QGC projects total SNG Test Year costs to be $97,118,566. At current rates, SNG test year revenue is forecast to be $102,374,367. Consequently, QGC's proposed Test Year rates to recover its Utah gas cost projection include a $5,255,801 decrease in the SNG rate.

The Division states the reduction in the SNG rate is mainly due to a reduction in the gathering charge that is to be paid to QEP Field Services Company ("QEP"). The Division explains that on May 1, 2012, QGC filed a law suit against QEP in the Third District Court in Salt Lake County, Utah. QGC believes certain QEP charges for gathering services exceed the amounts to which QEP is entitled under the System Wide Gathering Agreement ("SWGA"), effective September 1, 1993, pertaining to certain gas produced by Wexpro. QGC alleges breach of contract by QEP and is seeking an accounting and a declaratory judgment relating to SWGA charges. Also on May 1, 2012, QEP filed a legal action against QGC in the Second District Court in Denver County, Colorado seeking declaratory judgment relating to its SWGA charges.

QEP’s SWGA charges are included in QGC's rates as part of its purchased gas costs in the 191 Account. Those costs are recovered through the SNG rate. Consistent with its litigation position, QGC’s calculation of the SNG rate in this case is based on a lower gathering charge than the amount claimed by QEP. QGC has been paying a reduced gathering charge to QEP since June 2012. The Division notes this issue may not be resolved for some time and could have a significant impact on future rates. If the court rules in favor of QEP, QGC, and ultimately its ratepayers, could be required to pay a higher gathering charge from June 2012 forward. Nevertheless, the Division recommends the Commission accept QGC’s SNG rate calculation.

Based on the decreases in gas commodity and SNG costs described in GQC’s application, a typical GS residential customer using 80 decatherms per year will experience a decrease in their annual bill of about $4.43 or 0.65%.

DOCKET NO. 12-057-09

This application affects only the Conservation Enabling Tariff (“CET”) component of the distribution non-gas (“DNG”) rates of the GS rate class. According to QGC, as of June 30, 2012, the CET deferral account (Account No. 191.9) has an over-collected balance of $2,671,059. Because this credit balance is greater by $784,769 than the credit balance approved in Docket No. 11-057-09 and the amount currently being collected in rates, QGC requests an incremental increase in the current CET credit amortization rate. This credit increase for the GS DNG Block 1 rate is $(0.0076)/decatherm (rounded) for the summer rate and $(0.0091)/decatherm (rounded) for the winter rate. As a result of these changes, a typical GS rate class customer using 80 decatherms per year will see a decrease in their annual bill of approximately $0.72 or 0.11%.

DOCKET NO. 12-057-10

In Docket No. 11-057-15 the Commission approved a three year amortization of $39 million of energy efficiency program costs. QGC now seeks to reduce the amortization amount to $30 million. QGC explains this request is due to lower program expenditures, and the Division adds the request is due to lower ongoing program participation which can be attributed to lower-than-anticipated natural gas prices. QGC estimates the proposed amortization amount will still draw the balance in the account down to $0 within the three year time frame. As a result of this change, a typical GS residential customer using 80 decatherms per year will see a decrease in their annual bill of about $8.12 per year or 1.19%.

DOCKET NO. 12-057-11

In Docket No. 10-057-08 the Commission approved the Low Income Assistance Program which provides up to $1.5 million of bill credits annually to qualified low income customers. The Commission also authorized QGC to establish a balancing account for program costs. As of June 2012, this account has a slight over collected balance of $8,857.[4] This over collection has been added to the allowed program cost so that $1,491,143 will be collected from customers during the test period. This amount is greater than the amount currently being collected in rates. Additionally, with input from the Office, the Red Cross, and other customer advocates, the Company seeks authorization to lower the credit that will be available to

[4] The QGC application initially characterized the June 2012 account balance as "under collected." QGC later corrected this statement and recalculated the rate impact of this change.

qualifying customers during the upcoming heating season from $52 to $41. This reduction assumes 36,800 customers will receive the credit in comparison to 31,000 who received it last year. The increase in participation is expected due to ongoing weak economic conditions. QGC's rate calculations for the proposed low income assistance rates show a typical GS residential customer using 80 decatherms per year will receive an increase in their annual bill of $0.04.

DOCKET NO. 12-057-12

The Commission authorized QGC to establish the Infrastructure Tracker Pilot Program ("Tracker") in Docket No. 09-057-16.[5] In this application, QGC requests to increase the current infrastructure rate adjustment component of the DNG rates of all rate schedules in its Utah Natural Gas Tariff. The 13 month average (August 2013) gross plant balance associated with the Tracker is $98.55 million.[6] The corresponding revenue requirement is $10.76 million, an increase of $2.06 million over the amount currently being collected in rates. The effect of this increase on rates will raise the annual gas bill of a typical GS residential customer using 80 decatherms per year by about $1.58 or 0.23%.

ORDER

Based on the QGC applications, the recommendations of the Division, and the testimony presented at the hearing, the Commission hereby approves each of the five applications on an interim basis, pending the final results of the Division's audits. The rate changes and the change in the Low Income Assistance Program bill credit are effective

[5] See the June 3, 2010, Report and Order in Docket No. 09-057-16, *In the Matter of Application of Questar Gas Company to Increase Distribution Non-Gas Rate and Charges and Make Tariff Modifications.*

[6] This amount takes into account correction of an error the Division discovered during its preliminary review.

September 1, 2012. Within seven days from today, QGC shall file for review and approval updated tariff pages reflecting the effects of this Report and Order,

DATED at Salt Lake City, Utah, this 10th day of September, 2012.

/s/ David R. Clark
Presiding Officer

Approved and Confirmed this 10th day of September, 2012, as the Report and Order of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
D#233467

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 10th day of September, 2012, a true and correct copy of the foregoing REPORT AND ORDER, was served upon the following as indicated below:

By Electronic-Mail:

Colleen Larkin Bell (colleen.bell@questar.com)
Jenniffer Nelson Clark (jenniffer.clark@questar.com)
Questar Gas Company

By Hand-Delivery:

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Administrative Assistant