- 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. 14-057-09
In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account	DOCKET NO. 14-057-10
	ORDER CONFIRMING BENCH RULINGS

ISSUED: July 7, 2014

The Commission approves two 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 increase the annual bill of a typical GS residential customer using 80 decatherms by approximately $51.61, or 7.23 percent.

The two above-captioned rate applications were filed by Questar Gas Company ("QGC") on May 5, 2014. Each proposed discreet rate changes to be effective June 1, 2014. In response to the Commission's May 14, 2014, scheduling order and notices of technical conference and hearings ("Scheduling Order"), the Division of Public Utilities ("Division") filed an action request response with respect to both dockets on May 23, 2014.

The Division's action request response recommends approval of the two applications as just, reasonable and in the public interest. The Division further indicates if both applications are approved a typical GS residential customer will see a combined net increase in their annual bill of approximately $51.61, or 7.23 percent.

On May 28, 2014, the Commission's designated Presiding Officer conducted a hearing and a public witness hearing to consider both applications. At the hearing, QGC provided a summary of the applications. In addition, the Division summarized pertinent portions of its action request response and indicated that it had reviewed the tariff sheets filed with the applications and recommended their approval.

At the conclusion of the hearing, the Commission's authorized Presiding Officer issued a bench ruling approving, on an interim basis, the rate changes requested in both applications. This written order memorializes that prior oral ruling. The evidence supporting each application is uncontested and is briefly summarized below.

DOCKET NO. 14-057-09

This application is based on projected Utah gas costs of $637.506 million for the test year ending May 31, 2015 ("Test Year"). The net commodity portion of this forecast represents an increase of $88.121 million and is due to an increase in the actual cost of gas purchased and to an increase in the forecast price for natural gas in the test period. The increase in the price of the natural gas commodity portion of the rates is partially offset by a $4.271 million decrease in the supplier non-gas ("SNG") component of rates for a net increase of $83.850 million for firm sales customers.

The Division reports that approximately 26.4 percent of the increase or $23.289 million is due to actual gas costs from prior periods that were higher than the forecast gas costs which were used to set rates. The increase in the historical gas price was due to colder than normal weather conditions that occurred in many areas of the United States in December 2013 and January 2014.[1]

[1] The Division explains the "Polar Vortex" weather condition resulted in some of the lowest temperatures recorded in major population areas of the United States in the past 20 years. Below normal temperatures over a large portion

QGC's application forecasts a total Test Year Utah gas supply requirement of 116.864 million decatherms. QGC projects to satisfy this requirement with: 74,434,458 decatherms of Wexpro production (63.69 percent of the total); 18,530,000 decatherms (15.86 percent of the total) of gas purchase contracts; and 23,899,544 decatherms (20.45 percent of the total) purchased on the spot market.

For Wexpro cost of service production, QGC forecasts a total net cost of $370.202 million ($356.852 million allocated to Utah) at an average cost of $4.97 per decatherm. With the addition of the recent Trail acquisition, the cost of service production is being separated as Wexpro I and Wexpro II. According to the Division, this separation will allow QGC and the Division to monitor and compare the cost and production under the separate agreements. Wexpro I production has a projected cost of $349.484 million (on a system-wide basis) at an average cost of $5.01 per decatherm. The Wexpro II production has a projected cost of $24.932 million (on a system-wide basis) at an average cost of $5.40 per decatherm including the gathering costs.[2]

The Division reports that purchased gas from third parties has a projected cost of $206.688 million ($199.183 million allocated to Utah) at an average cost of $4.87 per decatherm. With the recent increase in the market price, there is a difference of $0.10 per decatherm between Wexpro and third party purchases. The difference in price between purchased gas and produced gas is a decrease from $0.38 in the previous filing in Docket No. 13-057-07.

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of the United States placed greater pressure on peak-day demand for natural gas, with little recovery time between the extreme cold periods. Seven of the 10 highest demand days in the United States occurred in January 2014.

[2] The cost of service gas production includes the operator service fee ("OSF") paid to Wexpro. The Division states as part of its audit and review of the 191 account, the Division is reviewing the calculations and costs associated with the increase in the OSF in recent years. The Division states it will continue to monitor the OSF as well as other costs and will present any findings to the Commission.

The Division explains that since the Commission approved the last pass-through request in Docket No. 13-057-07, actual and forecast prices have increased from the previously forecasted prices. QGC utilizes an average forward-looking thirteen-month forecast spot price of $4.68 per decatherm compared to $3.61 per decatherm in the previous filing. The Division indicates the forecast price estimate used in Docket No. 13-057-07 compares favorably to the actual price until the extreme weather conditions occurred in January 2014.

The Division explains that SNG costs are associated with gathering and processing the Wexpro gas from the well heads to market hubs, transporting the gas from market hubs to city gates and storing the gas in available gas storage facilities for later withdrawal during the winter months. Questar projects total SNG costs to be $98.798 million. The current SNG balance in the 191 account is over-collected by $5.896 million for a net amount to be collected of $92.901 million. At current rates, the SNG revenues that will be collected is projected to be $97.172 million leaving an over-collected balance of $4.271 million. Questar's application in this docket requests a 4.41 percent decrease in the SNG rates in order to adjust for the projected over-collection.[3]

[3] The Division explains that on May 1, 2012, QGC filed a lawsuit against QEP Field Services Company ("QEP"). 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. 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.

Based on the proposed increase in gas commodity and the decrease in SNG provided in Docket No. 14-057-09, a typical GS residential customer will realize an increase in their annual bill of $64.43 for an increase of 9.03 percent in annual gas costs. Combining the effect of CET application rate changes (discussed below), a typical GS rate class residential customer whose annual usage is 80 decatherms will see a combined net increase in their annual bill of $51.61 or 7.23 percent.

DOCKET NO. 14-057-10

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 March 31, 2014, the CET deferral account (Account No. 191.9) has an over-collected balance of $12.947 million. The resulting decrease for the GS DNG Block 1 rate is $0.12952 per decatherm (rounded) for the summer rate and $0.17423 per decatherm (rounded) for the winter rate. As a result of these changes, a typical GS residential customer using 80 decatherms per year will see an approximate $12.83 decrease in their annual bill or -1.79 percent.

ORDER

Based on the QGC applications, the recommendations of the Division and the testimony presented at the hearing, the Commission approves both applications on an interim basis, pending the final results of the Division's audits, effective June 1, 2014. The Commission also approves the tariff sheets accompanying the applications as filed in these dockets on May 5, 2014.

DATED at Salt Lake City, Utah, this 7th day of July, 2014.

/s/ Jordan A. White
Presiding Officer

Approved and Confirmed this 7th day of July, 2014, as the Order of the Public Service Commission of Utah.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#257983

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 written 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 CERTIFY that on the 7th day of July, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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