



State of Utah  
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  
Artie Powell, Manager  
Doug Wheelwright, Technical Consultant  
Eric Orton, Utility Analyst

Date: May 23, 2014

Subject: Questar Gas, Docket No. 14-057-10 In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account (CET).

### **RECOMMEND APPROVAL:**

After a preliminary review of the applications, the Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve this Questar Gas Company (Company) Conservation Enabling Tariff (CET) application on an interim basis, with rates effective June 1, 2014.

### **BACKGROUND:**

On May 5, 2014, the Company filed its application. On that same day the Commission issued the Action Requests in the above docket to the Division. On May 13, 2014, a scheduling conference was held where parties agreed that comments (and this Action Request) would be due May 23, 2014 with reply comments due four days later on May 27, 2014, and the hearing

addressing this matter would be held the next day, May 28, 2014, with the new rates effective on June 1, 2014.

This is the Division's response in accordance to the Action Request and the scheduling order.

**ISSUE:**

Docket No. 14-057-10 is a request to amortize the March 2014 CET credit balance of \$12,946,673 (over-collection) in Account 191.9 and adjust the CET component in Block 1 and 2 of the GS class distribution non-gas (DNG) rate. If approved, compared to the current CET amortization rate, a typical GS residential customer will see an approximate \$12.83 decrease in their annual bill or -1.79%. The CET amortization rates reflected in the GS Rate Class tariff sheets filed with this application have changed for both blocks 1 and 2 of the summer and winter rates. However, the majority of the Company's customers reside in the first block. The incremental decrease in the GS DNG Block 1 rate is \$0.12952 /Dth for the summer rate and \$0.17423 /Dth for the winter rate as shown in the Company's Exhibit 1.2.

**Size of the Balance:**

This approximate \$13 million over-collection was nearly twice as large as the next highest month (approximately \$8 million) which occurred in February 2012. The main reason, but not the only reason, for this large over-collection was due to a much warmer than normal first quarter of 2014.

The large March 2014 balance in this filing motivated regulators to investigate the many interworking components of the CET again to see if large balances could be avoided in the future. This investigation is not fully fleshed-out yet, but the work is on-going and will be presented when the findings are completed. This extraordinarily large balance this March may be the pivotal point that brings to light some of the "unexpected results"<sup>1</sup> the Company anticipated when it requested the CET be implemented on a pilot basis.

**Technical Conference:**

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<sup>1</sup> Direct Testimony of Barrie L. McKay line 214 in docket 05-057-T01

In the Technical Conference held on May 20, 2014, numerous questions were addressed and discussed regarding the components of this CET filing. Some of these discussion topics included:

- The estimation of Usage per Customer;
- The interrelation of the Billing Cycle and the Calendar Month usage measurements;
- The legitimacy of the Forecast Average Usage per customer;
- The use of, accuracy of and timing of, the IRP demand forecast;
- The impact of non-normal weather on the Weather Normalization Adjustment (WNA);
- The calculation of the Allowed per-customer DNG revenues
- The timing of the Actual/per-customer DNG revenues,
- The impact of the recently approved temperature and elevation adjustment,
- The implementation of the last rate case order;
- The timing of the implementation of the last rate case order;
- The impact of the Volume Multiplier (VM),
- The use of Heating Degree Days (HDD) in the calculation;
- The concept of the effects of WNA 'outlier';
- The magnitude of Estimation/Forecast errors.

The Division is cognizant that this filing has brought to the surface some of the complex inter-workings of the CET and recognize that there are numerous sub-issues that will need to be worked through. The Division will work with the Company to sort through these issues. These complexities, however, do not negate the bottom line that (at least on an interim basis) the CET was established so that the Company would collect its allowed DNG revenue independent of customer usage. The account was managed to collect its per customer amount as ordered in the last general rate case. Thus the CET appears to be functioning as ordered by the Commission.

## **SUMMARY AND CONCLUSION**

The Division recommends that the rate change requested in Docket Nos. 14-057-10 be approved on an interim basis until the Division can complete its audit. After the completion of the audit, the Division will issue a memo to the Commission with its recommendation on making the requested rate change in this docket permanent or recommending adjustments to the rate.

Cc:                   Barrie McKay, Questar Gas Company  
                          Kelly Mendenhall, Questar Gas Company  
                          Michele Beck, Office of Consumer Services  
                          Maria Martinez, Division of Public Utilities  
                          Francine Giani, Department of Commerce