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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
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Date: November 19, 2014

Subject: Action Request Response regarding Docket No's 14-057-26 and 14-057-27.

In the Matter of the Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance

And

In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Utah Public Service Commission (Commission) authorize the proposed new rates for both the Energy Efficiency Deferred Account Balance and the Infrastructure Rate Adjustment as requested by Questar Gas Company (Company) in its applications. The requested rate changes will be on an interim basis until a complete audit can be performed on each filing. The Division also recommends that the

Commission accept the proposed tariff sheets for the Questar Gas Company Tariff 400 Section §2.07 and §2.09.

BACKGROUND

Docket No. 14-057-26 is a request to decrease the amount amortized in the Energy Efficiency deferred account balance. In its Order, dated May 31, 2011, the Commission approved the rates proposed by the Company in Docket 11-057-04, which included a proposal to reduce the Energy Efficiency balance to be at or near zero over the course of three years. The three-year amortization period is now complete and a change in the amortization is needed. On November 4, 2014 the Commission issued an Amended Action Request specifically directing the Division to “Please explain how Questar’s application is consistent with ensuring that the Account 182.4 balance remains at or near zero as referenced in this and Questar’s April 28, 2011, Application in Docket No. 11-057-04 which was approved by the Commission on May 31, 2011. Also, please include in your evaluation the number of decatherms upon which the proposed Account 182.4 amortization rate is based.” A Scheduling Conference was held on November 7, 2014 at which time both Docket Nos. 14-057-26 and 14-057-27 were set on the same schedule.

Docket No. 14-057-27 is a request to increase the infrastructure replacement rate. On November 4, 2014, the Commission issued an Action Request to the Division regarding the Company’s application requesting the Division to review the application and make recommendations. On November 7, 2014, the Commission issued its Scheduling Order and Notice of Hearing and specified November 19, 2014 as the due date for comments on the proposed rate change. This memo is the Division’s response to the two Action Requests.

ISSUE

DOCKET NO. 14-057-26 – REQUEST TO AMORTIZE THE ENERGY EFFICIENCY DEFERRED ACCOUNT BALANCE

The Company is proposing to decrease the amortization level from \$37.7 million to \$28.5 million which should get the average balance for the year at or near zero. The current 182.4 account has grown to a balance of \$3.9 million and, without a reduction to the amortization rate, the account balance would continue to grow. The Company is proposing to decrease the current rate of \$0.38690 per Dth to \$0.24341 per Dth. DPU Exhibit 1.1 shows the Company's calculation using the proposed 2015 Energy Efficiency budget of \$28.5 million and projected monthly decatherms from the 2014-2015 IRP.

Effect on a typical GS Customer

If the Energy Efficiency Deferred Account Balance is approved by the Commission, a typical GS rate class customer will see a decrease in their annual bill of \$11.48 or 1.54%.

DOCKET NO. 14-057-27 – REQUEST TO CHANGE THE INFRASTRUCTURE RATE ADJUSTMENT

In the general rate case order dated February 21, 2014, the Commission authorized the Company to continue the infrastructure tracker pilot program. As part of that order, the Company was to defer increasing customer's rates until \$84 million worth of infrastructure investment had been completed and placed into service. The balance for the infrastructure tracker was set to zero with the rate case order. According to the Company's records more than the \$84 million has been invested, closed and placed into service by October 31, 2014 and the Company now proposes to collect the remaining amount in rates.

Effect on a typical GS Customer

If the Infrastructure Rate Adjustment is approved the typical GS customer will see an increase in their annual rates of \$3.44 or 0.46%

If both applications are approved the rate effect on a typical GS Customer will be a decrease in their annual bill of \$8.04 or 1.08%.

DISCUSSION

DOCKET NO. 14-057-26 – REQUEST TO AMORTIZE THE ENERGY EFFICIENCY DEFERRED ACCOUNT BALANCE

In Docket No. 05-057-T01, the Commission authorized the Company to establish a deferred expense account (Account 182.4) to record the costs associated with the approved Energy Efficiency programs and Market Transformation Initiative. On May 31, 2011, the Commission approved the rates suggested in Docket No. 11-057-04 which included a three year amortization of the existing balance in that account. Due to increased activity in the weatherization program the rate was increased in Docket No. 13-057-09, the proposed amortization rate would satisfy the over budget amount in 2013 while keeping to the schedule to have the balance near zero by spring, 2014. In April, 2014 the balance in the amortization account was near zero, by September 2014 balance in account 182.4 had grown to \$3.9 million.

DOCKET NO. 14-057-27 – REQUEST TO CHANGE THE INFRASTRUCTURE RATE ADJUSTMENT

The Company's application included a number of exhibits. Exhibit 1.1 provides the dollar amounts showing the infrastructure investment from January 2013 through October 2014 (the time frame where the \$84 million has been spent). This investment amount includes investment in the intermediate high pressure (IHP) lines as well as high pressure lines.

Through October 31, 2014 the Company has spent \$114,958,769 in infrastructure closed to investment. After subtracting the \$84 million, the Company shows a balance of approximately \$31 million. Beginning with the remaining balance of \$31 million, once depreciation, and taxes are considered the Company is left with proposing to collect just over \$30 million it spent above the \$84 million on rate base investment. Applying the Company's allowed pre-tax rate of return and adding in depreciation expense and taxes the total incremental revenue requirement increase is approximately \$4.3 million (see Exhibit 1.1 page 4 of 4). This is the amount the Company proposes to include in this filing.

The Division examined the attached exhibits, had discussions with the Company, and investigated some of the larger entries that were recorded accurately in Exhibit 1.1. In Exhibit 1.2 the Company is demonstrating that the \$4.3 million revenue increase is allocated according to the cost of service percent ordered in the rate case. Exhibit 1.3 shows how this \$4.3 million will be divided using the demand charge and volumetric rates to collect this amount on a percentage change. The monthly change to a typical GS customer is shown in exhibit 1.4 while exhibit 1.5 shows the legislative and proposed tariff sheets.

CONCLUSION

DOCKET NO. 14-057-26 – REQUEST TO AMORTIZE THE ENERGY EFFICIENCY DEFERRED ACCOUNT BALANCE

The Division has reviewed the filing along with the attached Exhibits 1.1 through 1.6 and agrees with the method used by the Company to request a decrease in the current amortization amount. The Division recommends that the Commission approve the proposed rates on an interim basis until a complete audit can be performed and further recommends that the proposed tariff sheets §2.09 be accepted

DOCKET NO. 14-057-27 – REQUEST TO CHANGE THE INFRASTRUCTURE RATE ADJUSTMENT

The Division believes that this application is compliant with the Commission's order to defer collecting Infrastructure investment from customers until \$84 million has been spent, and that the proposed tariff sheets §2.07 accurately reflect this rate. Therefore, the Division recommends that the Commission approve the proposed infrastructure rates on an interim basis until the Division can complete an audit at which time we will make a final recommendation to the Commission.

CC: Barrie McKay, Questar Gas Company
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 Michele Beck, Office of Consumer Services