- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance	DOCKET NO. 14-057-26
In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment	DOCKET NO. 14-057-27 ORDER CONFIRMING BENCH RULINGS

ISSUED: February 3, 2015

SYNOPSIS

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 anticipated combined effect of these applications is to lower the annual bill of a typical GS residential customer by approximately $8.04, or approximately 1.08 percent.

BACKGROUND

Questar Gas Company ("QGC") filed the two above-captioned rate applications on November 3, 2014. Each proposes discrete rate changes to be effective December 1, 2014. Answering the Commission's action requests, the Division of Public Utilities ("Division") filed a consolidated response on November 19, 2014. The Division's response states if both applications are approved, a typical General Service ("GS") residential customer will see a net annual decrease of approximately $8.04, or approximately 1.08 percent. The Division's response recommends the Commission approve both applications on an interim basis until an audit can be performed.

On November 25, 2014, the Commission's designated Presiding Officer held a hearing and consecutively heard each application. At hearing, QGC provided a summary and testimony in support of each application. In addition, the Division summarized pertinent portions of its response to the Commission's action requests. The Office of Consumer Services did not file comments on either application but represented at hearing it had no objection to the applications.

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

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Pursuant to prior order of the Commission,[1] QGC has established a deferred expense account, Account 182.4 of the Uniform System of Accounts, to record the costs associated with approved energy efficiency programs (the "Energy Efficiency Account"). Amounts owing to QGC as a consequence of balances in the Energy Efficiency Account are amortized and included as a component of the Distribution Non-Gas Rate on its GS rate schedule. Over the past three years, the amortization rate has been set at a level sufficient to expedite payment of a substantial balance that had accrued in the account and thereby mitigate the interest due on that balance. QGC's instant application requests to decrease the amortization

[1] *See* Docket No. 05-057-T01, *In the Matter of the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders* (Order; January 16, 2007).

rate, representing the change is appropriate because it will facilitate maintaining a near zero average balance in the Energy Efficiency Account.

In both its Amended Action Request, dated November 4, 2014, and its November 21, 2014, First Order Amending Scheduling Order, the Commission requested additional information concerning the new methodology QGC had employed to calculate the amortization rate, which deviated from QGC's typical practice of dividing the projected expenses associated with approved energy efficiency programs by the volume of projected decatherms for the same period.

QGC proposes to reduce the projected amortization amount from $37.7 million to $24.5 million, a decrease of $13.2 million. QGC estimates it will incur costs of $28.5 million allocable to the Energy Efficiency Account from January through December 2015. QGC proposes a new amortization rate of $0.24341 per decatherm, a reduction from the existing rate of $0.38690. QGC forecasts the proposed reduced rate will allow QGC to recoup its projected costs allocable to the Energy Efficiency Account while minimizing the average balance in the account. QGC explained at hearing it had employed a methodology it believed would minimize the interest expense over the applicable period. While QGC's projections forecast a calendar year-end balance of $4.5 million, QGC explained at hearing that ending the calendar year with a zero balance was not practicable given the variation of volumes by season and that the year-end balance could be expected to be rapidly depleted over the ensuing high-volume winter months.

In its response, the Division provided a schedule illustrating QGC's calculation using the proposed 2015 Energy Efficiency budget of $28.5 million and projected monthly decatherms from its 2014-2015 Integrated Resource Plan. At hearing, the Division testified the methodology QGC had employed in its instant application resulted in lower interest accrual over the pertinent period than the traditional method of simply dividing projected expenses by projected volumes. The Division further testified approval of QGC's application will cause a typical GS rate class customer's annual bill to decrease $11.48 or 1.54 percent. The Division recommended the Commission approve the proposed rate on an interim basis until a complete audit can be performed.

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In 2010, the Commission authorized QGC to establish the Infrastructure Tracker Pilot Program ("Tracker").[2] In its 2013 general rate case order dated February 21, 2014,[3] the Commission authorized QGC to continue the Tracker with the proviso that QGC defer increasing customers' rates until QGC had completed and placed into service $84 million of infrastructure investment. QGC represents approximately $115 million of infrastructure investment had been made, closed and placed into service by October 31, 2014. QGC now requests to collect the remaining infrastructure investment of approximately $31 million through a rate increase in the "Infrastructure Rate Adjustment" component of the Distribution Non-Gas Rate for all customer class schedules. Applying QGC'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.

[2] Docket No. 09-057-16, *In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges and Make Tariff Modifications* (Report and Order; June 3, 2010).
[3] Docket No. 13-057-05, *In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications* (Report and Order; February 21, 2014).

QGC provided summary data to substantiate the amount of its infrastructure investments and provided calculations showing the amount of revenue required to compensate QGC for its infrastructure investments. QGC also provided calculations illustrating how it had distributed the revenue requirement among its customer class schedules. During the hearing, however, the Division and QGC agreed the tariff sheets originally filed with the application should have reflected the cost-of-service allocation the Commission approved in QGC's most recent depreciation rate case, as opposed to the cost-of-service allocations the Commission approved in QGC's 2013 general rate case. QGC agreed to refile the proposed tariff sheets reflecting the appropriate allocations and did so on November 25, 2014.

The Division states approval of QGC's application will cause a typical GS rate class customer's annual bill to increase $3.44 or 0.46 percent. The Division believes QGC's request complies with the Commission's prior order to defer collecting infrastructure investment until QGC had invested $84 million. The Division recommends the Commission approve the proposed infrastructure rates on an interim basis until the Division can complete an audit. In its November 25, 2014, filing, QGC represented that the Division had reviewed the revised tariff sheets QGC submitted on November 25 for accuracy and that the Division had authorized QGC to inform the Commission that the Division does not oppose the approval of the revised tariff sheets and the rates set forth therein, on an interim basis, subject to the Division's audit.

ORDER

Based on QGC's applications, the recommendations of the Division and the testimony presented at hearing, the Commission approves both applications on an interim basis, pending the final results of the Division's audits. The rate changes reflected in the tariff sheets QGC filed in Docket No. 14-057-27 on November 25, 2014, which incorporate the rate changes approved in both dockets at issue, are approved and effective as of December 1, 2014.[4]

DATED at Salt Lake City, Utah, this 3rd day of February, 2015.

/s/ Jordan A. White
Presiding Officer

Approved and Confirmed this 3rd day of February, 2015, 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#263541

[4] This Order memorializes the Commission's November 25, 2014, bench ruling. This order does not affect the Commission's subsequent approval of additional rate revisions and revised tariff sheets as stated in the Commission's letters of December 10, 2014, and January 26, 2015, and filed in Docket No. 14-057-27.

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 3rd day of February, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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