State of Utah
Department of Commerce
Division of Public Utilities

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Director, Division of Public Utilities

REPLY MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Brenda Salter, Technical Consultant
Douglas Wheelwright, Technical Consultant
Charles E. Peterson, Technical Consultant

Date: March 24, 2015

Re: Request for Agency Action to Review the Carrying Charges Applied to Various Questar Gas Company Account Balances, Docket No. 14-057-32.

DPU Response to Questar Gas Company and Office of Consumer Services

On March 5, 2015 the Office of Consumer Services (Office) filed a response to the Division Memorandum dated February 24, 2015; Questar Gas Company (Company) followed on March 10, 2015 with its own comments.

The Office provided its own analysis of the carrying charge issue that largely paralleled the Division's. The Office supported the Division's recommendation.

The Company also generally supported the Division's recommendation but added three comments that the Division responds to here. First, the Company requests that the carrying charge on any Extension Area Charges be done on a case-by-case basis. The Company notes that it currently is not assessing any Extension Area Charges. The Division does not oppose this recommendation, but it believes that any future Extension Area Charge will likely have the same or similar carrying charge to what the Division is proposing for the other accounts. This is because the Extension Area Charges will likely be long-term and will require a long-term carrying charge in order to keep other ratepayers relatively neutral to the extension.

The second comment made by the Company is that it believes that the same carrying charge should be applied to both over- and under-collections, which it identifies as an historical precedent. As noted by the Company, the Division is not proposing to change that procedure. The Division brought the issue up that there could be asymmetric carrying charges for over- and under-collections as a way to remove all incentives from the Company to “game” the system. The Division believes that such a move to asymmetric charges might occur if, for example, there comes a time when the Company is shown to be purposely behaving in ways that unreasonably and unfairly disadvantage its customers. The Division presently is not aware of such behavior by the Company.

Finally, the Company offers that short-term interest rates might be more appropriate because it says the majority of the accounts are short term in nature and would be a better match to short term rates. The Division had considered this, but it concluded that longer term interest rates were more appropriate as a way to discourage the Company from accumulating large customer balances as a source of funding. That is, if the Company were to accumulate over-collections and deposits from customers, it would have a source of funding at relatively low interest rates. Therefore, to avoid the possible appearance of unfair treatment of customers and to incent the Company to keep the over-collection and deposit balances as low as reasonably possible, the Division supports the application of long term interest rates to these account balances.

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