- 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. 15-057-04
In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account	DOCKET NO. 15-057-05 ORDER CONFIRMING BENCH RULINGS

ISSUED: June 9, 2015

SYNOPSIS

The Commission approves two uncontested rate applications of Questar Gas Company, both on an interim basis, pending the completion of the reviews of audits by the Division of Public Utilities. The combined effect of these applications, representing an overall revenue decrease of approximately $48 million, is to decrease the annual bill of a typical GS residential customer using 80 decatherms by approximately $32.22, or 4.35 percent.

INTRODUCTION AND BACKGROUND

The two rate applications in these dockets were filed by Questar Gas Company ("Questar") with the Public Service Commission of Utah ("Commission") on April 30, 2015; each proposed a discreet rate change to be effective June 1, 2015. In response to the Commission's May 7, 2015, scheduling order and notices of technical conference and hearing, a technical conference was convened on May 18, 2015. In addition, the Division of Public Utilities ("Division") filed an action request response ("Memorandum") addressing the two dockets on May 21, 2015.

The Division recommends approval of the two applications and the rates presented on the revised tariff sheets attached to its Memorandum on an interim basis to allow the Division to complete audits of the respective accounts. The Division explains the revised tariff sheets present rates corrected for errors identified in Questar's application in Docket No. 15-057-04. The Division indicates that if both applications are approved, a typical General Service ("GS") residential customer will see a combined net annual bill decrease of approximately $32.22, or 4.35 percent.

On May 28, 2015, the Commission's designated Presiding Officer ("Presiding Officer") conducted a hearing to consider the two applications ("May 28 Hearing"). During the May 28 Hearing Questar provided a summary of the applications, which reflected the amounts and rates identified by the Division in its Memorandum. In addition, the Division summarized pertinent portions of its Memorandum and testified that the requested rate changes are just, reasonable and in the public interest. The Division recommended the Commission approve the proposed rate changes filed in Docket Nos. 15-057-04 and 15-057-05, as corrected in its Memorandum, on an interim basis, effective June 1, 2015. The Office of Consumer Services ("Office") recommended approval of Questar's requested rate changes.

At the conclusion of the hearing, the Presiding Officer issued a bench ruling, approved and confirmed by the Commission, approving the rates proposed in the applications in Docket Nos. 15-057-04 and 15-057-05, as amended by the Division's Memorandum, on an interim basis pending review of the Division's audit and prudence review. This written order memorializes the bench ruling. The evidence supporting each application is uncontested and is briefly summarized below.

DOCKET NO. 15-057-04, ACCOUNT 191 RATE CHANGES

The application in Docket No. 15-057-04 ("191 Account Application"), as corrected by the Division's Memorandum and at hearing, is based on projected Utah gas-related costs of $564.205 million for the test year ending May 31, 2016 ("Test Year"),[1] and represents a $61.887 million decrease from the rates set in Docket No. 14-057-22, the last 191 account pass-through proceeding.[2] The proposed decrease consists of an $85.722 million decrease in the net commodity component of rates and a $23.836 million increase in the supplier non-gas ("SNG") component[3] of rates during the Test Year.

Specifically, the 191 Account Application proposes a decrease to the commodity rate, which consists of a Base Gas Cost rate and a 191 amortization rate, from $5.04668 to $4.27079 per decatherm ("Dth") for firm and interruptible sales service customers. The 191 Account Application also proposes the following changes to SNG rates, which consist of a Base SNG rate and an SNG amortization rate:

	Current Rate per Dth	Proposed Rate per Dth
GS Rate Schedule SNG Rate		
Summer Blocks 1 and 2[4]	$0.46544	$0.58822
Winter Blocks 1 and 2	$0.99133	$1.25283
FS Rate Schedule SNG Rate		
Summer Blocks 1, 2, and 3[5]	$0.46544	$0.58822
Winter Blocks 1, 2, and 3	$0.96551	$1.22020

[1] The $564.205 million of Utah gas-related costs is comprised of $464.895 million associated with the commodity portion of natural gas costs and $99.310 million in supplier non-gas costs.
[2] Docket No. 14-057-22, "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."
[3] SNG costs are associated with gathering and processing Wexpro gas from the well heads to market hubs, transporting gas from market hubs to city gates, and storing gas in available gas storage facilities for later withdrawal during the winter months.
[4] The GS Block 1 rate is applicable to the first 45 Dth and Block 2 is applicable to usage greater than 45 Dth.
[5] The FS Block 1 rate is applicable to the first 200 Dth, Block 2 is applicable to the next 1,800 Dth, and Block 3 is applicable to usage over 2,000.

	Current Rate per Dth	Proposed Rate per Dth
NGV Rate Schedule SNG Rate	$0.71537	$0.90407
IS Rate Schedule SNG Rate	$0.17925	$0.17925

Gas Commodity Rate Change

The Division explains the $85.722 million decrease in the net commodity component of rates referenced above is due to a forecasted decrease in the price of natural gas during the Test Year and a decrease in the 191 account commodity balance. The 191 Account Application proposes a decrease in the Base Gas Cost rate from $4.63135 to $4.20785 per decatherm and a decrease in the 191 amortization rate from $0.41533 to $0.06294 per decatherm. The decreased amortization rate reflects a change in the under-collected commodity balance of $45.111 million in Docket No. 14-057-22 to the $6.953 million as of March 31, 2015.

The 191 Account Application forecasts a total Test Year system gas supply requirement of 120.678 million decatherms. Questar anticipates meeting this requirement with 67.095 million decatherms of Wexpro cost-of-service production (55.6 percent of the total), 18.560 million decatherms of current gas purchase contracts (15.4 percent of the total), and 35.022 million decatherms of gas purchased on the spot market and future gas contracts (29.0 percent of the total).

Cost-of-Service Production

For Wexpro cost-of-service production, Questar forecasts a total net cost of $342.849 million ($330.838 million allocated to Utah) at an average price of $5.10986 per decatherm. With the addition of the recent Wexpro II Trail acquisition approved in Docket No. 13-057-13

("Trail Unit Application"),[6] the cost-of-service production is separately reported for the Wexpro I and Wexpro II agreements. According to the Division, this separation will allow Questar and the Division to monitor and compare the costs and gas volumes produced under the two agreements. Wexpro I production has a projected cost of $316.124 million (on a system-wide basis) at an average price of $5.02124 per decatherm, including gathering costs and revenue sharing credits. Wexpro II production has a projected cost of $26.725 million (on a system-wide basis) at an average price of $6.45810 per decatherm including the gathering costs and revenue sharing credits.

The Division notes that while the price of Wexpro II gas is higher than originally anticipated, Wexpro II gas volumes represent only 6.2 percent of the volume of cost-of-service gas. The Division indicates that because of the small volumes, the incremental price impact of Wexpro II gas on the total price of cost-of-service gas is only approximately $0.09 (*i.e.*, the difference between $5.10986 for the total cost-of-service gas price and $5.02124 for the Wexpro I gas price).

The 191 Account Application includes Wexpro's $313.350 million operator service fee, which the Division indicates is a decrease of $3.680 million from the previous filing. The Division states it continues to review the operator service fee as part of its audit and review of the 191 account and will present any findings to the Commission in future audit reports. The Division also notes a recent verdict in a legal proceeding relating to Wexpro. In this proceeding a jury awarded plaintiffs $14.1 from Wexpro related to a dispute over an overriding royalty

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[6] *See* Docket No. 13-057-13, In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement, (November 5, 2013, Application).

interest in oil and gas leases in the Pinedale Field. The Division indicates Wexpro's intent to appeal this decision.

During the May 28 Hearing, Questar identified its current process for reviewing the Wexpro monthly invoices and stated that it has recently requested a breakdown of the operator service fee by cost component. In addition, Questar expressed its confidence that the charges being billed by Wexpro reflect the provisions of the Wexpro agreements.

Pertaining to the above-mentioned legal issue, during the May 28 Hearing Questar stated Wexpro had appealed the verdict. Questar further testified that $8 million of the disputed $14.1 million award had been billed to Questar over time through the Wexpro operator service fee. Questar, however, did not know the periods during which the $8 million was included in Wexpro's bills to Questar. Questar stated it could ensure the remaining $6 million of the disputed $14.1 million award is clearly identified when it is included in rates in a future proceeding so that the amount could be addressed in a future audit. Questar also discussed the challenges of managing the unit cost of Wexpro gas when the opportunity for drilling, and thus increasing gas volumes, has been reduced.

Purchased Gas

The Division reports that purchased gas from third parties has a projected cost of $152.934 million ($147.523 million allocated to Utah) at an average cost of $2.85417 per decatherm. When compared with the Wexpro cost-of-service production cost of $5.10986 per decatherm, Questar forecasts a difference of $2.25569 per decatherm between Wexpro-produced gas and third party purchased gas. The difference in price between purchased gas and Wexpro-produced gas in the previous 191 account application in Docket No. 14-057-22 was $0.98914.

The Division observes Questar's forecast of natural gas prices is lower than presented in the last pass-through request in Docket No. 14-057-22. Questar calculates an average forward-looking thirteen-month forecast spot price of $2.69 per decatherm as compared to $3.68 per decatherm in the previous filing. The Division indicates the forecast used in this application anticipates natural gas prices of approximately $2.64 per decatherm during the summer months followed by a slight increase to $2.82 per decatherm during the upcoming winter months.

SNG Costs

Questar proposes a $23.835 million increase in the SNG component of rates during the Test Year. The Division states that, due to unusually warm temperatures during the 2014-2015 heating season, Questar did not collect the anticipated SNG revenue. The Division notes that as of the end of March 2015, the SNG balance in the 191 account was approximately $15.358 million lower than forecasted. To achieve the requested increase, Questar proposes to increase the Base SNG rates and the SNG amortization rates as follows, which sum to the total SNG rate shown previously:

	Current Rate per Dth	Proposed Rate per Dth
GS Rate Schedule		
SNG Base Rate		
Summer Blocks 1 and 2	$0.49698	$0.50911
Winter Blocks 1 and 2	$1.05851	$1.08433
SNG Amortization Rate		
Summer Blocks 1 and 2	-$0.03154	$0.07911
Winter Blocks 1 and 2	-$0.06718	$0.16850

	Current Rate per Dth	Proposed Rate per Dth
FS Rate Schedule		
SNG Base Rate		
Summer Blocks 1, 2, and 3	$0.49697	$0.50911
Winter Blocks 1, 2, and 3	$1.03094	$1.05609
SNG Amortization Rate		
Summer Blocks 1, 2, and 3	-$0.03153	$0.07911
Winter Blocks 1, 2, and 3	-$0.06543	$0.16411
NGV Rate Schedule		
SNG Base Rate	$0.76385	$0.78248
SNG Amortization Rate	-$0.04848	$0.12159
IS Rate Schedule		
SNG Base Rate	$0.17925	$0.17925
SNG Amortization Rate	not applicable	not applicable

As of March 2015, Questar reports the SNG amortization account shows an over-collected balance of $4.642 million. The Division explains the over- or under-collection of the SNG balance is calculated and adjusted once per year in the spring 191 account filing.

The Division also provided an update of the legal proceeding between Questar and QEP Field Services Company relating to the cost of gathering services for gas produced by Wexpro.[7] During the May 28 Hearing Questar indicated that, depending upon the outcome of this proceeding, some or all of the disputed amount would be recognized as a cost and included in a future 191 account proceeding at which time Questar would identify the amount in its application. The Division indicated that these specific SNG costs would be included in interim rates and then evaluated during its audit.

[7] The Division reports that on December 2, 2014, the Third District Court in Salt Lake City ("Court") issued a Memorandum Decision granting two motions and denying two motions for partial summary judgement for breach of contract filed by Questar. The Court also denied two motions for partial summary judgement filed by QEP Field Services Company and denied cross-motions related to another claim. The resolution date for this proceeding is currently unknown. As of May 21, 2015, the current cumulative difference between QEP's billings and Questar's payments is approximately $15.3 million.

Parties' Positions

During the May 28 Hearing, Questar stipulated that it concurred with the revised tariff sheets and exhibits included in the Division's memorandum. The Division testifies that the rates proposed in the 191 Account Application, as modified in the Division's Memorandum, are just, reasonable, and in the public interest and recommends their approval on an interim basis subject to audit and review. The Office supports the Division's testimony and recommends the rates in this docket be approved on an interim basis. In addition, the Division states it will compare published natural gas prices with the prices used in this filing and evaluate whether an out-of-period filing may be warranted. Based on the information presented in the 191 Account Application, the Division calculates a typical GS residential customer will realize an annual bill decrease of $44.59, or 6.04 percent.

DOCKET NO. 15-057-05, CONSERVATION ENABLING TARIFF BALANCING ACCOUNT

The application in Docket No. 15-057-05 ("CET Application") affects only the Conservation Enabling Tariff ("CET") component of the distribution non-gas ("DNG") rate of the GS rate class. According to Questar, as of March 31, 2015, the CET deferral account (Account No. 191.9) had an under-collected balance of $2.668 million. The current CET rates approved in Docket No. 14-057-23[8] are based on an over-collected balance of $11.559 million and resulted in a credit on customers' bills. The Division explains that eliminating the credit and amortizing the under-collected balance results in an increase in the CET rates as presented in the

[8] *See* Docket No. 14-057-23 In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account (October 1, 2014, Questar Application).

following table. As a result of these changes, a typical GS residential customer using 80 decatherms per year will see an annual bill increase of approximately $12.36, or 1.68 percent.

	Current CET Rate per Dth	Proposed CET Rate per Dth	Difference in CET Rates per Dth
GS Rate Schedule			
Summer Block 1	-$0.10089	$0.02285	$0.12374
Summer Block 2	-$0.04262	$0.00965	$0.05227
Winter Block 1	-$0.13718	$0.03107	$0.16825
Winter Block 2	-$0.07891	$0.01787	$0.09678

During the May 28 Hearing, Questar indicated the rate increase associated with this docket is $14 million and committed to address changes to its weather normalization method in the next CET account application.

Parties' Positions

The Division testifies that these rates are just, reasonable, and in the public interest, and recommends the Commission adopt them on an interim basis subject to audit and review. The Office supports the Division's testimony and recommends the rates in this docket be approved on an interim basis.

DISCUSSION, FINDINGS, AND CONCLUSIONS

Based on the Questar applications, the recommendations of the Division and the Office, and the testimony presented at the hearing, we approve the 191 Account and CET Applications on an interim basis, pending final audit and prudence review, effective June 1, 2015.

ORDER

Based on the Questar applications, the recommendations of the Division, and the testimony presented at the hearing:

1) The 191 Account and CET Applications with the Division's corrections are approved on an interim basis, effective June 1, 2015, pending the final review of the Division's audits and prudence reviews.
2) The changes proposed by the Division in its Memorandum to Sections 2.03 FS Rate Schedule, 2.04 Natural Gas Vehicle Rate, and 4.02 IS Rate Schedule, of Questar's tariff are approved with an effective date of June 1, 2015.
3) The changes proposed by the Division in its memorandum to Section 2.02 GS Rate Schedule of Questar's tariff, reflecting rate changes for both the 191 Account Application and the CET Application, are approved with an effective date of June 1, 2015.
4) Questar shall file tariff sheets conforming to this order in Docket Nos. 15-057-04 and 15-057-05.

DATED at Salt Lake City, Utah, this 9th day of June, 2015.

/s/ Jordan A. White
Presiding Officer

Approved and Confirmed this 9th day of June, 2015, as the Order of the Public Service Commission of Utah.

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#266778

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 9th day of June, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

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