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: September 21, 2015

Subject: QGC – Application to Change Base Distribution Non-Gas rate and the Infrastructure Rate Adjustment, Docket No. 15-057-13

In the Matter of the Application of Questar Gas Company to Change the Base Distribution non-Gas Rate and the Infrastructure Rate Adjustment

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RECOMMENDATION

As a result of the preliminary review, the Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the proposed new rates in the Infrastructure Rate Adjustment as requested by Questar Gas Company (Company) in this application. The requested rate changes will continue to be on an interim basis until a complete audit can be performed. The Division also recommends that the Commission accept the proposed tariff sheets for the Questar Gas Company Tariff 400 and make them available for public inspection

BACKGROUND

On September 2, 2015 the Company filed its application and eight attached exhibits, including most of the proposed tariff sheets. On September 8, 2015, the Commission held a scheduling conference with a Technical Conference scheduled three days later on the 11th. On September 14, 2016, the Company filed the remaining proposed tariff sheets. Comments are due and the intervention deadline is September 21, 2015, with a hearing scheduled on September 24, 2015 at nine in the morning. The Company proposes to implement the new rates on October 1, 2015.

Also, on September 2, 2015, the Commission issued its Action Request directing the Division to review the application and make recommendations. This is the result of the Division's review and its recommendations.

ISSUE

This filing is a request to increase the infrastructure replacement rate currently charged to customers. As part of the rate request the Company states that the cumulative plant investment as of August 2015 is $128 million. The Company then adjusted that amount by removing the $84 million that was already included in rates according to the Settlement Stipulation of the 13-057-05 case. In addition to that reduction, the Company also deducted amounts for accumulated depreciation and accumulated Deferred Income Taxes leaving a Net Rate Base of $41.5 million. Additions to rate base included $4.5 million from the Pre-Tax Rate of Return, $950,000 Net Depreciation Expense and $500,000 of Net Taxes Other than Income. This leaves a Total Revenue Requirement of $5.9 million.

The Company reduced the $5.9 million by just under $58,000, which is the result of bonus depreciation discussed in docket 14-057-27. Also, the Company received revenue from failure-to-interrupt penalties of about $500,000. This amount was also credited to ratepayers. Finally, a deduction of just over $115,000 was made as a result of language in the Lakeside 1 agreement where any excess amount collected over the minimum bill is credited back to other customers. All this yields an adjusted revenue requirement of $5.26 million, or $1,151,786 higher than current rates as shown in exhibit 1.1 page 4 of 4.

In this application the Company requests Commission approval to update the infrastructure rate adjustment component of the DNG rates in their GS, FS, IS, TS, FT-1, MT, CET, and NGV rate schedules of their Utah Natural Gas Tariff PSCU 400.

The Division reviewed the tariff sheets attached as Exhibit 1.8 as well as the exhibits showing the calculations filed with the Commission in this docket. The Division agrees with the methodology used by the Company, as shown in its exhibits, and supports the request to increase the current infrastructure rate adjustment component of the DNG rate schedules.

Also included in this filing is Exhibit 1.3, which shows the implementation of a second step increase (of a two-step process) in DNG revenue requirement. This change was approved by the Commission in the depreciation docket (13-057-19). The approved change is intended to move certain rate classes toward full cost of service rates as calculated at that time.

Effect on a typical GS Customer

If the filing is approved the typical GS customer will see an increase in their annual rates of $0.82 or 0.12%

DISCUSSSION

The Division discussed the contents of the application with Company personnel, submitted questions for the Technical Conference, reviewed the calculations in the exhibits, and preliminarily found the information to be accurate. However, the Division has not reviewed the detailed invoices used by the Company in deriving the dollar amounts that qualify for inclusion in this filing and other back-up information and therefore recommends that the rates be approved on an interim basis.

CONCLUSION

The Division recommends that the Commission approve the proposed new rates as filed by the Company and the accompanying tariff sheets 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
Kelly Mendenhall, Questar Gas Company
Michele Beck, Office of Consumer Services