State of Utah
Department of Commerce
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, Technical Consultant

Date: November 14, 2016

Subject: Action Request Response regarding Docket No. 16-057-16.

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 Public Service Commission of Utah (Commission) accept the proposed new rates for the Infrastructure Rate Adjustment as requested by Questar Gas Company (Company) in its application and as allowed in the Company's Tariff 400 Section §2.07. The requested rate change will be on an interim basis until a complete audit can be performed.

BACKGROUND

In this filing the Company is requesting an increase in the infrastructure replacement rate. The Company filed this application one day after the order on its last infrastructure replacement rate adjustment filing, which was given interim approval. On that same date, (November 1, 2016) the Commission issued an Action Request to the Division requesting a review with recommendations. This memo is the Division's response to the Commission's Action Request and its initial comments.

ISSUE

The Company's tariff section §2.07 page 2-16 states "The Company may file semi-annually, but will file at least annually, an application to adjust the Surcharge." The last infrastructure filing was on September 29, 2016 and included investments closed and placed into service from November 2015 through September 2016. This filing represents one additional month of infrastructure investment and covers investment closed and placed into service in October 2016. The Company now proposes to collect the additional revenue requirement associated with this investment amount by a 0.25% increase in customer rates. According to the Company, the reason for filing both cases so close together was due to the timing of the merger of Dominion Resources and Questar Corporation. Rather than filing in August and November, as was the plan, the first filing for 2016 was not submitted until after the merger was completed. This is the Company's second request for rate recovery in 2016.

DISCUSSSION

The Company's application includes five exhibits. Exhibit 1.1 provides the dollar amounts showing the infrastructure investment from November 2015 through October 2016. In the past month since the last order, the Company has increased plant-in-service and retired plant resulting in a net gain of $17 million (exhibit 1.1, page 4, line 92 column L). This represents the investment in projects that are complete with gas flowing in the pipes and includes investment in both the intermediate high pressure (IHP) lines as well as high pressure (HP) lines.

Exhibit 1.1, page 7, summarizes the preceding exhibit pages and shows the calculations resulting in the incremental revenue requirement requested. Beginning with the total investment of $248.8

million and then subtracting the $84 million that is already included in rates (see docket No. 13-057-05), the Company shows a balance of approximately $164.8 million of infrastructure plant in service. Then, once depreciation and taxes are considered, the Company is left with proposing to collect on $133.7 million of infrastructure replacement plant. Applying the Company's allowed pre-tax rate of return and adding in depreciation expense and taxes, the total annualized revenue requirement calculation for that plant is $19.6 million. Subtracting the effects of Bonus Depreciation (from docket No. 15-057-17) and the amount of the revenue requirement already authorized to be collected ($17.2 million), the result is an incremental increase of approximately $2.2 million (see Exhibit 1.1 page 7 of 7 line 15). This amount, in addition to what is already allowed to be collected, provides a total proposed revenue requirement of $19.4 (=$17.2 + $2.2) million.

Exhibit 1.2 shows the proposed Cost of Service Allocation of the total $19.4 million. Exhibit 1.3 shows how this amount will be divided to collect the proper amount from each customer class. The monthly change to a typical GS customer is shown in exhibit 1.4 and calculates to an annual increase of $1.70 or 0.25%. Exhibit 1.5 includes the legislative and rate schedule tariff sheets in the applicable rate classes. The Division has reviewed the attached exhibits, sampled some of the calculations and discussed the filing with Company representatives; however, this does not constitute the Division's audit, which will be completed after the Company's 2016 books are closed.

CONCLUSION

This application appears compliant with the Commission's order and the proposed tariff sheets accurately reflect the proposed recovery of the additional amount invested by the Company. Therefore, the Division recommends that the Commission approve the proposed infrastructure rates on an interim basis until the Division can complete an audit. After an audit has been completed, the Division 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