



# State of Utah

DEPARTMENT OF COMMERCE  
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services  
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Copies To: Questar Gas Company  
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The Department of Commerce  
Ted Boyer, Executive Director  
The Division of Public Utilities  
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Date: 31 December 2001

Subject: Recommendations of the Committee of Consumer Services Regarding the Application of Questar Gas Company to Adjust Rates for Natural Gas Service in Utah: Docket No 01-057-14

## 1 Background

Questar Gas Company filed an Application on 14 December 2001, asking the Commission to approve an adjustment in rates to take effect on 1 January 2002. The net effect of the Company's proposals would be a decrease in a typical (115 decatherms) annual residential bill of \$86.00 (11.21%), and in the Company's revenues of \$66,947,000.

The Division of Public Utilities filed a memorandum on 21 December 2001, recommending that the Commission:

- hear the CO<sub>2</sub> Processing and Bad Debt cost issues before determining them; and
- in the meantime, order interim rates that would exclude costs associated with CO<sub>2</sub> Processing.

The effect of the Division's recommendation would be to reduce the typical annual residential bill by about \$93.50 and the Company's revenues by \$72,711,000.

It has been the usual practice of the Commission in pass-through proceedings to allow changes in rates to be implemented swiftly on an interim basis, while reserving the possibility of subsequent hearings in which issues can be examined in the appropriate detail.

## 2 Discussion

### 2.1 Swift Implementation

Pass-through increases totaling about 45% were swiftly implemented in October 2000 and January 2001 on an interim basis. It would be balanced, just and reasonable, and in the public interest to implement this reduction equally swiftly, and the Committee respectfully requests the Commission so to order.

### 2.2 CO<sub>2</sub> Processing Costs and the Supreme Court Remand

The Company's Application rests upon just one interpretation of the Remand: its own. There are likely to be other interpretations of, and positions on, what the Court said and meant. The Committee agrees with the Division that controversial issues should be excluded from the determination of interim rates in Pass-through cases, and that it would be appropriate for the Commission to hear all of the perspectives on such issues prior to deciding them. So, while allowing everyone time to prepare for such a hearing, the Committee respectfully asks the Commission to order the larger rate reduction recommended by the Division.

### 2.3 Bad Debts Related To Gas Costs

The Company proposes to move a portion of its Bad Debt costs from General Rates to the 191 Account. While the Division gives as its initial impression "that it is probably a reasonable thing to do", it makes the point that "this is a change in what is going to be allowed pass through treatment and should be ruled upon before automatically getting interim treatment." The Committee's initial impressions are that the Company's proposal, as presented in its Application, is not reasonable, and that we are likely to want to ask the Commission to address and decide a number of issues. We will need more time to prepare than a swift interim approval will allow, and again respectfully ask the Commission to order the interim rate reduction recommended by the Division while scheduling a later hearing. Issues may include:

- the Company's assertion that bad debt costs increased more than two-fold as a result of increases in rates of about 45%;
- the Company's incentive to minimize bad debts, and the effect on that of approval of this proposal;
- the appropriateness of adjusting general rates in a pass-through docket; and
- the appropriateness of adjusting just one element of general rates in a docket.

### 2.4 Proper Consideration

The Application before the Commission deals with a substantial part both of the

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Company's revenues and of customers' bills. So it is appropriate that the Division, which "has only had time to do a quick review", intends to "continue to review the application and supporting work papers". The Committee also intends to further review the Application. We will probably want to analyze some aspects in detail and develop testimony on issues where we have unresolved concerns. There isn't sufficient time to do that prior to the swift implementation of interim rates, which is both desirable and encouraged by the Committee. We therefore respectfully ask the Commission to reserve its consideration of all other aspects of the Application for later hearing, while ordering an interim decrease with effect from 1 January 2002.

### 3 Recommendations

The Committee supports those parts of the Company's Application and the Division's Recommendation that would:

- enable an interim rate reduction to take effect on 1 January 2002;
- exclude CO<sub>2</sub> Processing Costs from the calculation of interim rates; and
- defer consideration of the CO<sub>2</sub> Processing and Bad Debt cost proposals to allow sufficient time for thorough analysis, development and presentation of testimony, and deliberation by the Commission.

The Committee further recommends that the Commission defer consideration of all other aspects of the Company's Application and schedule them for hearing, with the CO<sub>2</sub> and Bad Debt proposals, at a later date.