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Department of
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FRANCINE GIANI
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Deputy Director

**Division of
Public Utilities**
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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Philip J. Powlick, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Carolyn Roll, Utility Analyst
Artie Powell, Manager

Date: June 13, 2008

Subject: Questar Gas Amortization of DSM Account Balance, Docket No. 08-057-17.

ISSUE:

Questar Gas Company (QGC) filed on June 6, 2008 an application with the Public Service Commission (PSC) to amortize the Demand Side Management deferred account balance and adjust the DNG rates for the GS-1 and GSS rate classes, effective July 1, 2008. The requested amount to amortize is \$8,703,854. If approved by the PSC, on a stand alone basis, a typical residential customer, assuming a usage of 80 decatherms per year, will see an average increase in their annual bill of \$5.62 or 0.86%.

RECOMMEND APPROVAL:

The Division has verified that the revised DNG rates will amortize the \$8,703,854 based on the projected sales volumes and recommends to the Commission they approve the revised tariff sheets on an interim basis as filed.



DISCUSSION:

The Division requests this rate increase be granted on an interim basis until the Division has had an adequate opportunity to review and audit the entries shown in Exhibit 1.2 page 2 of 2 to insure that proper accounting has been recorded for the spent dollars. After the completion of that audit, the Division will issue a memo to Commission recommending if the requested DSM amortization rate should become permanent.

The requested rate to amortize the \$8.7 million balance is \$0.09552/Dth. This rate is derived by dividing the requested \$8.7 million amount to amortize by total projected sales volumes from July 1, 2008 to June 30, 2009 of the GS-1 and GSS rate classes. These projected sales volumes are the same volumes that are projected in the 191 pass-through application in Docket No. 08-057-15.

The Division is in the process of preparing a report that covers in more detail the DSM activity for the 1st quarter of 2008. The DSM balance at the end of the 1st quarter 2008 was \$7.8 million. This request is \$0.9 million more, which covers DSM activity for the month of April.

The Division has prepared Exhibit 1 which summarizes the expenditures into several smaller groupings that were derived from Exhibit 1.2, page 2 of 2 of the filing. As shown in this Exhibit, \$11.760 million is the total dollars actually spent through April 2008 (Col S, Line 17). \$7.741 million or (66%) of this total is attributed to customer incentives or rebates paid out (Cols S & T, Line 4). \$1.318 million (or 11%) is the total of Contractor Costs (Cols S & T, Lines 6 thru 8). The total amount \$8.704 million that is requested to be amortized is shown in Col S Line 20 and is the difference between the total amount of DSM Program expenditures to-date of \$11.760 million and the credit of \$1.3 million of funds initial transferred into the DSM account at the time of Commission approval in Docket No. 05-057-T01 (Col S, Line 18) plus the net of the amounts already amortized and accrued interest (Col S Line 19).

If this request is approved by the Commission, the incremental increase is \$0.07026/Dth for both the winter and summer rates GS-1 and GSS DNG rates. This will increase a typical GS-1 customer's annual bill by \$5.62/Dth.

The following table shows the net effect of this DSM filing on the base DNG rates for the GS-1 Block 1 rates and GSS rate schedules which excludes the current CET rate component.

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The Division will prepare a summary of all rate changes requested to go into effect on July 1, 2008 when the memo on the pending pass-through request in Docket No. 08-057-15 is prepared.

Cc: Barrie McKay, Questar Gas Company
 Michele Beck, Committee of Consumer Services
 Rea Petersen, Division of Public Utilities
 Francine Giani, Department of Commerce