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To: Public Service Commission

From: Division of Public Utilities
Philip Powlick, Director
Energy Section
Artie Powell, Manager
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Date: July 7, 2010

Subject: Docket No. 10-057-08, Questar Gas Company Application for Implementation of a Low- Income Assistance Program (**CORRECTED**)

ISSUE: Action Request for the Division of Public Utilities to Review Application-due 07/19/2010.

RECOMMENDATION: Approve the Tariff for a Low-Income Assistance Program as filed.

DISCUSSION: On June 15, 2010, Questar Gas Company (Company) filed an application requesting approval of a low-income assistance program (Application). The genesis of this Application comes from the Company's 2007 general rate case. In its final order in that rate case (Docket No. 07-057-13), the Utah Public Service Commission (Commission) directed the Company to convene a task force to explore options for "low-income" customers. Specifically, the Commission said:

AARP et. al. recommends the Commission require Questar to meet with interested parties to develop a proposal to help low income customers stay on Questar's system. The exact details of the proposal should be recommended by the parties in the next general rate case. AARP et al. maintains that both Questar

and its customers are better off retaining those customers who can pay some of the costs of their service, so long as their payment exceeds the cost of the natural gas consumed.

In rebuttal testimony, Questar indicates its willingness to meet with parties to discuss low-income proposals that could be recommended in a future rate case or proceeding. As such, we direct Questar to convene a task force co-chaired by a representative of AARP et al. and including representatives from the Division and other interested parties, with the goal of identifying and evaluating ways to help low-income customers stay on Questar's system. The evaluation should include the effects of the proposed methods on other residential rate payers and the Conservation Enabling Tariff Balance account.¹

This Application by the Company, which was filed in accordance with the Settlement Stipulation approved by the Commission on June 3, 2010 in Docket No. 09-057-16, is the result of those meetings and the collaborative effort in large part, by AARP/CAP and the Company, coupled with input by the other Parties involved in the task force discussions.

The Application follows Utah Code Ann. § 54-7-13.6 (enacted since the 2007 rate case in S>B> 75 of the 2009 Legislative General Session) which provides, not only the authority for the Commission to approve a low-income funding program for low-income residential customers, but also the funding guidelines to be used. Those guidelines are as follows:

- (5)(a)(i) Subject to Subsection (5)(a)(ii), low-income assistance program funding from each rate class may be in an amount determined by the commission.
- (ii) Low-income assistance program funding described in Subsection (5)(a)(i) may not exceed 0.5% of the rate class's retail revenues.
- (b) (i) Low-income assistance program funding for bill payment assistance shall be provided through a surcharge on the monthly bill of each Utah retail customer of the electrical corporation or gas corporation providing the program.
- (ii) The surcharge described in Subsection (5)(b)(i) may not be collected from customers currently participating in the low-income assistance program.

¹ Commission Order in Docket No. 07-057-13, pg. 69-70.

- (c) (i) Subject to Subsection (c)(ii), the monthly surcharge described in Subsection (5)(b)(i) shall be calculated as an equal percentage of revenues from all rate schedules.
- (c) (ii) The monthly surcharge described in Subsection (5)(b)(i) may not exceed \$50 per month for any customer, adjusted periodically as the commission determines appropriate for inflation.

In reviewing the Application, the Division makes the following observations with respect to the statutory requirements, as outlined above, of the Low-Income Assistance Program:

- (a) In accordance with (5)(a)(i), the level of funding was determined and approved by the Commission's June 3, 2010 order approving the Settlement Stipulation in Docket No. 09-057-16² of an annual amount of \$1.5 million. There are administrative costs associated with this program of \$76,000, of which \$40,000 is for recurring annual costs from the Department of Community and Culture (DCC) required to certify eligible customers, and \$36,000 is a one-time fee from the Company for required changes to the customer billing system to implement the program (the Company expects minimal recurring costs after the initial setup). Although not shown above as part of the quoted statute, the \$1.5 million target annual amount may remain in effect until the Company's next general rate case, or some other appropriate time as determined by the Commission. This is in accordance with (6)(c) of the statute.
- (b) As shown in Exhibit 1.3 page 1 of the Company's Application, the level of funding for each rate class does not exceed 0.183% of that class's retail revenues, well below the 0.5% limit provided in (5)(a)(ii) of the statute.
- (c) Exhibit 1.3 page 1, column (F) of the Company's Application shows the surcharge per decatherm to be charged each rate class's customers. Each customer's monthly bill, within those rate classes, will have the dollar amount of funding that customer is contributing to the Low-Income Assistance Fund noted on their individual bills as required in (5)(b)(i) of the statute. For a typical GS customer whose annual usage is 80 Dth, their total annual contribution to this fund will be approximately \$1.22, as noted in the Application.

² Commission Report and Order, Docket No. 09-057-16, June 3, 2010, page 23, paragraph #23.

- (d) As required by (5)(b)(ii) of the statute, eligible low-income customers will not be charged the surcharge rate. In arriving at the annual amount of benefit to low-income customers, which is targeted as a one-time credit of \$37³ during the year, customers who were eligible for assistance during the 2009-10 heating season will be exempted from the surcharge when the surcharge rate is implemented, beginning August 1, 2010. The number of eligible customers for 2009-10 was 24,000 customers, which is projected to grow to 38,000 over the course of the next year. Their projected usage volumes were removed from the total GS class volumetric projections in order to arrive at the surcharge rate for the remaining GS customers. However, in order for those existing 24,000 customers and any new customers to receive the annual one-time credit of \$37 for the 2010-11 heating season, they will need to recertify/certify through DCC in the coming year. Since there will be timing differences between the collection of funds through the surcharge, which begins August 1st, and the disbursement of those funds beginning with the winter heating season, based on eligibility certification, the Company requested that the Commission authorize the establishment of Account 191.8 for the purpose of tracking the Low-Income Assistance Fund so that any over/under collections of the target annual amount of \$1.5 million can properly be trued up with annual surcharge rate adjustments. The balance in this account will be subject to an annual interest rate charge of 6%.
- (e) Exhibit 1.3 page 1, column (E) shows that each rate classes surcharge rate is an equal percentage of revenues as required by (5)(c)(i) of the statute. This percentage is 0.183%.
- (f) No individual customer in any rate class will pay more than \$50 per month in accordance with (5)(c)(ii) of the statute. In arriving at the surcharge rate per Dth for each rate class, the Company analyzed the billings of each rate class and removed the incremental volumes of those customers whose monthly usage exceeds the volumes shown in Exhibit 1.3 page 1 column (J) from the total

³ See Exhibit 1.3, page 2 of application.

volumes in order to calculate the required rate to collect each classes share of the \$1.5 million annual funding level.

In summary, the Division supports the Company's filing, believes it is in compliance with Utah Code Ann. § 54-7-13.6, is in the public interest and provides a just and reasonable low-income surcharge rate. The Division recommends the Commission approve the Application as filed with an effective date of August 1, 2010.

The Division also recommends the Commission schedule a hearing date for this application. Regarding the scheduling of a hearing date, the Division notes that the Company filed on June 24, 2010, three filings that will adjust the CET and DSM rate components of the DNG rates for the GS rate class (Docket No. 10-057-10 and Docket No. 10-057-11) as well as a pass-through filing that adjusts the SNG and commodity rates for all retail sales customers (Docket No. 10-057-09), all with expected effective dates of August 1, 2010. Also with the June 3rd approval of the Settlement Stipulation, the base DNG rates for all rate schedules will change on August 1, 2010. Therefore, the Commission may wish to combine the hearing for this low-income surcharge rate implementation with the hearings on the pass-through, CET and DSM filings so that all changes in the rates may be considered at one time. By combining the hearings, the net effect of all the pending August 1st rate changes on a typical GS customer's bill can be encapsulated into one easily understood component. The Division expects to file with the Commission, its analysis and recommendations regarding Docket Nos. 09-057-09, 10 and 11 by July 12, 2010.

Cc: Barrie McKay, Questar Gas Company.
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