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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: Public Service Commission
From: The Office of Consumer Services
Michele Beck
Dan Gimble
Dan Martinez
Eric Orton
Date: November 24, 2010
Subject: Docket 10-057-12

In the Matter of the Consideration of the
Various Rate Design Issues, Cost of Service
Issues and Other Issues Pursuant to the
Settlement Stipulation in Docket No. 09-057-16

Background

On November 4, 2010, the Commission published its Notice of Technical/Scheduling Conference (Notice) in Docket number 10-057-12, the docket addressing cost-of-service and rate design issues for Questar Gas Company (QGC). The Notice announced the following:

- November 15, 2010 - A new cost-of-service model is produced for consideration
- November 24, 2010 - Parties have agreed to circulate, through e-mail, ideas on dividing the GS-1 Class and the Company's revised model one week prior to the technical conference.
- December 1, 2010 - The Company will provide information on the development of the sample for the distribution plant study. Parties should be prepared to identify dates, times, and topics for future technical conferences prior to the Company's submittal of a completed cost of service model to the Commission on March 17, 2011.
- March 17, 2011 – Completion of the cost-of-service study

GS-1 Class Split Ideas

The Office understands the objective in this part of the investigation is to explore and evaluate different options for splitting the GS-1 class into

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different classes (e.g., residential, commercial, etc.) in order to see the resulting rate impacts on the rate class as a whole, any potential sub-classes as well as Questar's entire customer base.

The Office is concerned that heading down the road of splitting the GS class into subgroups becomes the destination rather than an option. The Office is not committed to splitting the GS Class unless it is determined that there are distinguishing factors, such as load characteristics and meter size, justifying such a split. The Task Force should also investigate the merits of flat versus inclining rate structures.

Revised Model

OCS has reviewed the new model and believes that it addresses what the Task Force requested. It may be necessary to enhance the model as other positions, ideas and issues develop.

Recommendations

1. The GS-1 class should not be split unless there is evidence of significant heterogeneity justifying the split.
2. The Task Force should also investigate the merits of flat versus inclining rate structures.

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