

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Pass-Through)
Application of Questar Gas Company for an) DOCKET NO. 11-057-08
Adjustment in Rates and Charges for Natural)
Gas Service in Utah)
)
In the Matter of the Application of Questar) DOCKET NO. 11-057-09
Gas Company to Amortize the Conservation)
Enabling Tariff Balancing Account)
)
In the Matter of the Application of Questar) DOCKET NO. 11-057-10
Gas Company for a Tariff Change and)
Adjustment to the Low Income)
Assistance/Energy Assistance Rate)
)
In the Matter of the Application of Questar) DOCKET NO. 11-057-11
Gas Company to Include the Infrastructure)
Rate Adjustment) REPORT AND ORDER
)

ISSUED: September 30, 2011

By The Commission:

The above-captioned matters are four rate applications filed by Questar Gas Company (“Questar”) on August 31, 2011. As analyzed by the Utah Division of Public Utilities (“Division”), these applications, if approved, will have the combined net effect of lowering the annual bill of a typical GS residential customer by approximately \$11.87. On September 27, 2011, a hearing was conducted to examine each application.

Questar witness John Kennedy summarized the application in Docket No. 11-057-01 and adopted the substance of the application as his testimony. Questar witness Kelly Mendenhall summarized the remaining three applications and adopted the substance of each as his testimony. His testimony included accepting the minor corrections to Exhibit 1.3 of the application in Docket No. 11-057-11, recommended by the Division.

The Division is the only party in these four dockets other than the applicant. At the hearing, a Division technical consultant, Marlin H. Barrow, sponsored a memorandum dated September 19, 2011, addressed to the Commission, presenting the Division's evaluation of the four applications. The memorandum is Exhibit 2 in each docket. The Division prepared this memorandum in response to the Commission's September 6, 2011, request for the Division's analysis and opinions concerning the applications. As stated in the memorandum, the Division recommends the Commission approve the rate changes requested in the four applications, effective October 1, 2011, subject to the minor uncontested corrections to Exhibit 1.3, noted above. The Division further recommends the rate changes pertaining to Docket Nos. 11-057-08, 11-057-09, and 11-057-11 be approved on an interim basis, pending completion of the Division's audits. The uncontested evidence supporting each application is briefly summarized, below.

Docket No. 11-057-08

This application seeks approval to decrease the commodity and supplier non-gas ("SNG") cost components of Questar's natural gas rates. The total proposed decrease is \$26,181,000. With minor exceptions, the commodity rate component recovers Questar's cost of the natural gas commodity it delivers to customers. Due to a number of factors, including forecasts of slightly lower natural gas prices compared to the previous forecasts used in setting rates, Questar proposes to lower the commodity portion of its rates by a total of \$6,017,000.

SNG costs reflect, in general terms, Questar's costs associated with gathering, processing, transporting, and storing the natural gas commodity. These costs are driven by the terms of Questar's contracts for these services. Historically, the SNG balancing account has reached an under-collected balance of approximately \$40,000,000 during the winter months. To

mitigate this result, Questar proposes to delay by two months the implementation of the SNG winter rate differential for the GS and FS rate classes. Questar and the Division believe this one-time delay in commencement of the winter SNG rate will mitigate by half the range of under-(over)collection of the balancing account. The rate impact of the delay is a major reason for the \$20,164,000 decrease in SNG rates. According to the Division, the combined effect of the new rates proposed in this application for a typical GS residential customer will be an annual bill decrease of approximately \$18.51.

Based on the foregoing uncontested facts, the Commission finds the rate changes proposed in this application are just and reasonable, subject to the results of the Division's audit.

Docket No. 11-057-09

The rate changes requested in Docket No. 11-057-09 affect only the Conservation Enabling Tariff ("CET") component of the distribution natural gas rates of the GS rate class. In this docket, the Company is requesting to amortize an over-collected balance of \$1,886,290 in the CET deferral account, which is the balance in Account 191.9 as of July 31, 2011. This over-collected credit balance is less than the credit balance approved in Docket No. 10-057-02, by \$3,838,647. Therefore an incremental decrease in the amortization rate is required. Having reviewed Questar's application, the Division agrees with the proposed amortization rate. This new rate will increase the annual bill of a typical GS rate class customer by approximately \$3.62.

Based on the foregoing uncontested facts, the Commission finds the proposed increase in the CET component of Questar's distribution natural gas rates for the GS rate class is just and reasonable, subject to the results of the Division's audit.

Docket No. 11-057-10

This docket addresses Questar's proposal to lower slightly the rate which generates the \$1,500,000 funding level previously approved for low-income assistance under Utah Code Ann. § 54-7-13.6. The low-income assistance program currently is slightly over funded, according to Questar. Having reviewed Questar's application materials, the Division supports Questar's conclusion that a small decrease in the low-income assistance rate which provides the program funding is appropriate. According to the Division, the proposed decrease will lower the annual bill of a typical GS residential customer by \$0.04.

Questar also proposes to increase the annual amount of low-income assistance available to qualified GS customers from \$37 to \$52. The higher benefit level is possible because of a projected decrease in participants due to funding cutbacks at the qualifying agencies. The Division supports this change. Moreover, the Division testifies Questar is operating the low-income assistance program in compliance with the governing statute.

The Commission finds the uncontested facts presented in this application and in the Division's memorandum adequately support the requested rate change.

Docket No. 11-057-11

This docket examines Questar's application to update the infrastructure rate adjustment component of the DNG rates in its GS, FS, IS, TS, FT-1, MT and NGV rate schedules of Utah Natural Gas Tariff PSCU 400. This application is made under § 2.07 of the

Tariff, which describes procedures for recovering costs associated with replacing aging infrastructure. Questar's evidence shows cumulative additions in its feeder line replacement projects require \$6.5 million additional revenue. According to the Division, the requested additional revenue requirement is necessary. In reviewing the proposed infrastructure rate adjustments for each tariff schedule, the Division found two minor errors. Questar accepts the Division's corrections, which are presented in Updated Exhibit 1.3 of the Division's memorandum. With these corrections, the approximate effect of the rate adjustments proposed in this application on the annual bill of a typical GS residential customer is an increase of \$3.13.

Based on the foregoing uncontested facts, the Commission finds the rate changes proposed in this application, as corrected, are just and reasonable, subject to the results of the Division's audit.

ORDER

Based on the applications, the recommendations of the Division, and the testimony presented at the hearing, the Commission hereby approves the four applications (as corrected), provided that as to Docket Nos. 11-057-08, 11-057-09, and 11-057-11, the approved rate changes are interim, pending the final outcomes of the Division's audits. The rate changes are effective October 1, 2011

DATED at Salt Lake City, Utah, this 30th day of September, 2011.

/s/ David R. Clark
Presiding Officer

Approved and Confirmed this 30th day of September, 2011, as the Report and Order of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
D#210451

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 30th day of September, 2011, a true and correct copy of the foregoing REPORT AND ORDER, was served upon the following as indicated below:

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Flr.
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Flr.
Salt Lake City, Utah 84111

By U.S. Mail

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180 East 100 South
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Administrative Assistant