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Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Marlin H. Barrow, Technical Consultant

Date: November 9, 2012

Subject: Questar Gas Company, Docket Nos. 12-057-15 (Infrastructure Rate Adjustment) and 12-057-16 (Energy Efficiency Amortization). The Division of Public Utilities recommends that the Public Service Commission approve the Questar Gas Company's applications as revised in Docket No. 12-057-15 and as filed in Docket No. 12-057-16.

RECOMMEND APPROVAL:

After a preliminary review of the two applications, the Division recommends the Commission approve Docket No. 12-057-15 as revised and Docket No. 12-057-16 as filed with the effective date of December 1, 2012. The Division recommends approval of the rates in these dockets on an interim basis until the appropriate audits can be completed.

ISSUE:

On November 1, 2012, Questar Gas Company (Company) filed the two applications identified above with the Public Service Commission (Commission). On November 5, 2012, the

Commission issued to the Division of Public Utilities (Division) action requests in the above docketed matters. This is the Division's response to those action requests.

In Docket No. 12-057-15 (Infrastructure Rate Adjustment), the Company requests Commission permission to update the infrastructure rate adjustment mechanism component of the DNG rates in their GS, FS, IS, TS, FT-1, MT and NGV rate schedules of their Utah Natural Gas Tariff PSCU 400 with an effective date of December 1, 2012. If approved, a typical GS residential customer will see an approximate \$4.46 increase in their annual bill.

Docket No. 12-057-16 is a request by the Company to reduce the amount amortized in the Energy Efficiency deferred account balance. If approved, a typical GS residential customer will see an approximate \$4.62 decrease in their annual bill.

If the two applications are approved, a typical GS residential customer will see a combined net decrease in their annual bill of approximately \$0.17. The applications request that the rate changes become effective on December 1, 2012.

DISCUSSION OF APPLICATIONS:

DOCKET NO. 12-057-15 - INFRASTRUCTURE RATE ADJUSTMENT

This application requests Commission permission to update the infrastructure rate adjustment component of the DNG rates in the Company's GS, FS, IS, TS, FT-1, MT and NGV rate schedules of their Utah Natural Gas Tariff PSCU 400. In the original filing by the Company on November 1, 2012, the requested adjustment represented an increase in the revenue requirement of \$5,192,378 over the amount requested in Docket No. 12-057-12, approved by the Commission in an order issued on September 10, 2012 with an effective date of September 1, 2012.

In the Division's review of the original filing, a minor error was discovered in the applications model which when corrected reduced the incremental increase in the revenue requirement by \$46,339 from \$5,192,378 to \$5,146,039. The Company reviewed that correction and agreed to it by providing the Division with a corrected application model which is provided as a separate attachment to this memo.

The Division has reviewed the revised tariff sheets attached as well as the revised tabs showing the corrected exhibits in the attached model, and agrees with the methodology used by the Company, as shown in the tabs Exhibits 1.1 through Exhibits 1.4 of the attached model, to support their request to increase the current infrastructure rate adjustment component of the DNG rates of all rate schedules in their Utah Natural Gas Tariff.

Tab Exhibit 1.1 page 1 shows a 13 month average (December 2013) gross plant balance of \$139.839 million. Tab Exhibit 1.1, page 5 details the calculation of the cumulative \$15.909 million additional ¹ revenue requirement necessary for the increase of \$139.839 million in plant additions. The \$15.909 million cumulative revenue requirement is an increase of \$5.146 million from what is currently being collected in rates.²

Tab Exhibit 1.2 details the spread of the \$15.909 million in additional revenue requirement to the rate classes based on the same spread of the revenue requirement ordered in the Company's last rate case in Docket No. 09-057-16.

Tab Exhibit 1.3 details the new infrastructure rate component calculation of the DNG rates for each rate schedule in order to collect the \$15.909 million revenue requirement. The Division has not reviewed the detailed invoices used by the Company in deriving the dollar amounts that qualify for inclusion in this filing and therefore recommends that the rates continue to be approved on an interim basis.

Effect on a typical GS Customer

¹ Additional from the amount included in rates from the previous general rate case.

² Ln 17, Exhibit R1.1, p. 5, Docket No.12-057-15.

As shown in Tab Exhibit 1.4, the effect of this increase on a typical GS residential customer's annual gas bill is an increase of \$4.46 or 0.67%.

DOCKET NO. 12-057-16 – (DSM) REQUEST TO AMORTIZE THE ENERGY EFFICIENCY DEFERRED ACCOUNT BALANCE

The Division reviewed the attached exhibits contained in the filing and agrees with the methodology used by the Company, as shown in Exhibits 1.1 through Exhibits 1.3 of the filing, to support their request to decrease the current amortization amount.

In Docket No. 05-057-T01, the Commission authorized the Company to establish a deferred expense account (Account 182.4) to record the costs associated with the approved Energy Efficiency programs and market transformation initiative. On May 31, 2011, the Commission approved the rates suggested in Docket No. 11-057-15, which included a three year amortization of the existing balance in that account. Due to lower ongoing participation in the current program and lower expenditures, the Company is proposing a reduction in the amortization level from \$30 to \$24.4 million. This reduction will continue to reduce the Energy Efficiency balance to near zero within the previously approved three year time period.

Rate Details

In Docket No 11-057-15, the Company proposed an accelerated amortization of \$39 million in order to fund the existing program and draw down the balance in this account to near \$0 over a three year period. In Docket No. 12-057-09, the Company reduced the accelerated amortization target to \$30 million. As of September 30, 2012 the existing account balance is \$13.4 million. Due to continued lower natural gas prices the participation in the DSM programs continues to lag behind original projections. Therefore the Company is requesting to adjust the accelerated amortization target to \$24.4 million. This adjusted target amount will provide the funding for the existing program and continue to pay down the existing balance.

Effect on a typical GS Customer

If approved by the Commission, a typical GS rate class customer will see a decrease in their annual bill of approximately \$4.62 per year or 0.69% decrease.

SUMMARY AND CONCLUSION

DPU Exhibit 1.1 combines the effect of the applications and shows that a typical GS rate class residential customer whose annual usage is 80/Dth will see a combined net decrease in their annual bill of \$0.17 or 0.03%.

The Division supports and recommends that the rate changes requested in Docket Nos. 12-057-15 as revised and Docket No. 12-057-16 be approved by the Commission. The proposed rates should be approved on an interim basis until the Division can complete an audit of the entries into the respective accounts. After the completion of the audits, the Division will issue memos to the Commission with its recommendations on making the requested rate changes in these dockets final.

Cc: Barrie McKay, Questar Gas Company
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