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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission

From: The Office of Consumer Services
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Date: September 13, 2013

Subject: Docket 13-057-09

In the Matter of: the Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance

Background

On September 3, 2013 Questar Gas Company ("Company") filed with the Utah Public Service Commission ("Commission") an application to amortize the Energy Efficiency Deferred Account 182.4 ("Deferred Account") balance and to adjust the Distribution Non-Gas ("DNG") portion of the Utah GS rate.

The Deferred Account was established as part of the Commission's Order dated October 5, 2006, Docket 05-057-T01 ("Order"), and is found in section 2.09 of the Questar Gas Company Utah Natural Gas Tariff No. 400 ("Section 2.09"). As per the Order and Section 2.09, the Company records all expenses related to Demand-Side Management ("DSM") activities in a Deferred Account. Section 2.09 provides that the Company "will file with the Commission an application to amortize the balance in Account 182.4.", and that the Deferred Account balance be amortized over one year. The current amortization rate was established in Docket 11-057-04. This rate is found in Section 2.02 of the Questar Gas

Company Utah Natural Gas Tariff, titled DSM Amortization and forms part of the Base DNG portion of the GS Volumetric Rate ("DSM Tariff"). Additionally, in Docket 11-057-04 the Commission approved amortization of the Deferred Account balance over a three year period, to be completed by the spring of 2014.

On July 31, 2013 the Company submitted to the Commission notice that the DSM program Weatherization had exceeded the budgeted amount and would require additional funds in order to continue making the program available. This revised budget will increase the Deferred Account balance.

Based on the existing DSM Tariff rate of $0.24982, and including the increased Weatherization expenses, the Deferred Account balance will not be amortized by the spring of 2014. In order to continue with the previously established amortization schedule the Company proposed increasing the DSM Tariff rate to $0.3869. The Company projects that this new rate will allow the Deferred Account to be amortized by the spring of 2014.

The Commission subsequently filed a Notice of Filing, Comment Period and Scheduling Conference on September 4, 2013. The Office of Consumer Services (Office) submits these comments in accordance with that notice.

Discussion

As part of the Company's Reply Comments in Docket 12-057-14 the Company notes that "the overall effect of the Company's September 2, 2013 filings with the Commission (Docket 13-057-07, 13-057-09, 13-057-10, and 13-057-11) will decrease the typical residential customers' bill by approximately $10.00 annually."

The Office does not dispute this effect, but the Office asserts that each of those four rate changes must be considered individually to ensure just and reasonable rates. The move from the existing rate of $0.24982 to the proposed rate of $0.38690 is an increase of $0.13708; which is an increase of more than 54% on the DSM Tariff. The Company shows in Exhibit 1.5 of Docket 13-057-09 that with the proposed DSM Amortization rate, the annual increase in a residential customers' bill amounts to $10.94 or an increase of 1.53% (average of 80 Decatherms per household). Approximately 80% of that amount will be paid in the six month period of November through April, thus, the Company's request will have an impact of about $9.75 per residential customer for the time period of October through May that it is requested to be in place. The Office notes that this is small but not insignificant.

The Office also notes that the DSM Advisory group was presented information related to the increases in the Weatherization program, but was not presented with rate impact information related to how this would affect the DSM Tariff. As the Company knew about the increasing cost trend caused by the Weatherization program, a rate analysis could have been provided to the DSM Advisory Group for discussion and feedback. The Office recommends that the Company include rate change proposals and impacts as an agenda item in the DSM meeting prior to filing future DSM amortization cases.

The Office recognizes that a benefit in continuing with the amortization schedule is to avoid the continuing cost of interest charged against the outstanding balance. While the Deferred Account has a balance the rate payers are paying for the cost of the DSM programs and paying the additional costs of interest on the balance. The position of the Office is to avoid unnecessary costs when possible. Therefore, the proposed increase as estimated will mitigate the interest paid by eliminating the balance. The Office also supports the ongoing goal of bringing the balance of the Deferred Account back to zero within a reasonable time period. Thus, the Office supports the proposed increase to the Tariff to support the long term goal of providing DSM programs to rate payers while avoiding costs where possible.

Recommendation

The Office recommends that the Commission take the following action:

1. Approve the increase of the DSM Amortization portion of the DNG rate, GS class from $0.24982 to $0.38690.
2. Approve maintaining the amortization schedule to have the Deferred Account balance amortized by the spring of 2014.
3. Require the Company to include foreseeable rate change proposals and impacts in the agenda as items for discussion with the DSM advisory group prior to future DSM amortization filings.