



State of Utah  
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  
Doug Wheelwright, Technical Consultant  
Eric Orton, Utility Analyst

Date: February 23, 2015

Subject: Action Request Response regarding Docket 15-057-01. QGC – Report of Acquisition  
Re: Eagle Mountain.

Questar Gas Company Report Re: Acquisition. In the Matter of the Report Concerning Questar Gas Company's Acquisition of Eagle Mountain City Natural Gas System

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### RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) take no action at this time.

### ISSUE

On January 22, 2015 Questar Gas Company (Company) submitted its Report Concerning Questar Gas Company's Acquisition of the Eagle Mountain City Natural Gas System (Report) to the Commission. On January 23, 2015 the Commission issued its Action Request to the Division to: "Review Notice and Make Recommendations". This is the Division's response to the Commission's request.

### BACKGROUND

Eagle Mountain has approached the Company a few times over the years to in an effort to sell its municipal gas system. During previous discussions, the price the city required was greater than the value of the business as calculated by the Company. The Company's purchase benchmark

was that it would not pay more for the municipal system that it would cost the Company to connect that same number of new customers to the Questar system. To that end the city and the Company could not agree on a price.

The stalemate between the city and the Company continued until this past year when the number of customers in Eagle Mountain's natural gas system and the price required for the system met the Company's benchmark. Attachment 1 shows that the cost the Company has agreed to pay for these customers and the accompanying system that supplies the natural gas are less than it would cost the Company to add the same number of new customers. Attachment 2 shows that the current allowed CET revenue collected from these 6,500 customers is greater than the revenue requirement necessary to cover the expenses and return related to these customers. Therefore, the Company believes that the purchase is beneficial both for itself and its existing customers.

## **DISCUSSION**

The Company is required to file a Report with the Commission when acquiring assets over the base amount of \$10,000,000 or five percent of its gross plant, whichever is lesser. This purchase by the Company falls within this requirement based on the purchase price being over the \$10,000,000 threshold.

The relevant reporting rules for this acquisition are: R746-401-03 Reporting Requirements. The specific reporting requirements are listed in subsections A, D and E of this rule. Section E has 9 specific items that the Company is required to provide to the Commission in its report. The Division has reviewed the requirements and the Company's report of January 22, 2013 and determined that it has provided the information required under these sections of the rule.

In addition to the information provided by the Company, the Division sent data requests to the Company and met with Company personnel to examine more fully the information contained in the exhibits. This information was provided by the Company to substantiate the information contained in the report but was not offered to justify any rate change or as evidence of prudence. Although the actual numbers behind the assets that will be purchased are not detailed due to the record keeping practices of Eagle Mountain, Company engineers have developed an accurate picture of the system and its components and capacities. These hard assets were then summed and depreciated to determine the value of the assets that the Company has agreed to purchase.

This acquisition will not impact existing customers' rates at this time. At the next general rate case the prudence of this acquisition will be investigated as well as the prudence of all other plant investment and any potential rate impact resulting from this purchase will be closely examined at that time.

## **CONCLUSION**

The Division has reviewed the Company's report and filing. Since the Company is providing the report according to rule R746-401-03 A, D and E, Commission approval of this purchase is not required. The Division recommends that the Commission take no action in this matter at this time.

CC: Kelly Mendenhall, Questar Gas Company  
Maria Wright, Division of Public Service  
Michele Beck, Office of Consumer Services