

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah	<u>DOCKET NO. 15-057-11</u>
In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account	<u>DOCKET NO. 15-057-12</u>
In the Matter of the Application of Questar Gas Company to Change the Base Distribution Non-Gas Rate and the Infrastructure Rate Adjustment	<u>DOCKET NO. 15-057-13</u>
In the Matter of the Application of Questar Gas Company for a Tariff Change and Adjustment to the Low Income Assistance/ Energy Assistance Rate	<u>DOCKET NO. 15-057-14</u>
	<u>ORDER MEMORIALIZING BENCH RULINGS</u>

ISSUED: October 26, 2015

SYNOPSIS

The Commission approves the four uncontested rate applications of Questar Gas Company, as modified at hearing. The rates in Docket Nos. 15-057-11 and 15-057-12, and the Infrastructure Rate Adjustment rates in Docket No. 15-057-13 are approved on an interim basis, pending the completion and reviews of audits by the Division of Public Utilities. The Step 2 Base Distribution Non-Gas rates in Docket No. 15-057-13 and the rates in Docket No. 15-057-14 are approved on a final basis. The combined effect of these applications, representing an overall revenue decrease of approximately \$12.332 million, will decrease the annual bill of a typical GS residential customer using 80 decatherms by approximately \$8.99, or 1.28 percent.

INTRODUCTION AND BACKGROUND

The four applications in these dockets were filed by Questar Gas Company (“Questar”) with the Public Service Commission of Utah (“Commission”) on September 2, 2015; each

proposed discreet rate changes to be effective October 1, 2015. On September 14, 2015, Questar filed supplemental information in support of its application in Docket No. 15-057-13. In response to the Commission's September 2, 2015 Action Request and September 8, 2015 Scheduling Order and Notices of Technical Conference and Hearings, the Division of Public Utilities ("Division") filed comments addressing the four dockets on September 21, 2015 ("September 21 Memorandum").¹

In its September 21 Memorandum the Division recommends approval of the rates presented in Questar's applications, three on an interim basis to allow the Division to complete audits of the respective accounts, and one on a final basis. The September 21 Memorandum states the combined effect of these applications, representing an overall revenue decrease of approximately \$12.388 million, is to decrease the annual bill of a typical GS residential customer using 80 decatherms ("Dth" or "decatherm") by approximately \$9.02, or 1.28 percent.

On September 24, 2015, the Commission's designated Presiding Officer ("Presiding Officer") conducted a hearing to consider the four applications ("September 24 Hearing"). During the September 24 Hearing, Questar provided a summary of the applications, which reflected the revenue and rates identified in its applications with one exception.

The exception pertains to corrections to the interruption penalty adjustment and the associated Lake Side revenue collection adjustment in Questar's application in Docket No. 15-057-13. Questar explained that it had incorrectly calculated the interruption penalty adjustment

¹ The Division's comments were filed in two separate memoranda, one addressing Docket Nos. 15-057-11, -12, and -14, and the other addressing Docket No. 15-057-13. During the September 24, 2015 hearing, the Division clarified that its electronic comments filed on September 21, 2015, in Docket No. 15-057-13, were a draft version and a corrected electronic copy was filed on September 22, 2015.

by including not only the Distribution Non-Gas (“DNG”) component of the penalty, but also the Supplier Non-Gas (“SNG”) and the commodity components of the penalty. After a careful reading of Section 3.02 of Questar’s Utah Natural Gas Tariff, PSCU 400, Questar determined it had improperly included the SNG and commodity components in the adjustment and its proposed modification corrects this oversight. Additionally, correcting the interruption penalty adjustment affected the revenue forecast for the Lake Side electric generating plant, which Questar also corrected. These corrections changed the interruption penalty adjustment from -\$497,638 to -\$440,200, and the Lake Side revenue collection adjustment from -\$115,616 to -\$116,732. Together, these corrections result in a revenue requirement increase of \$56,222 (from \$1,151,786 to \$1,208,008) from that proposed in Questar’s September 2, 2015 application. During the September 24 Hearing, Questar provided revised Exhibits 1.1R Page 4, 1.2R, 1.3R, 1.5R, and 1.6R to reflect these changes.

Additionally, during the September 24 Hearing, the Division summarized pertinent portions of its Memorandum and clarified that the Step 2 Base DNG rates proposed in Docket No. 15-057-13 should be approved as final rates. The Division also decreased its assessment of the cumulative impact of the rate changes on the annual bill of a typical GS residential customer using 80 decatherms from \$9.02 to \$8.99 resulting from Questar’s proposed changes to its application in Docket No. 15-057-13. The Division testified that the requested rate changes as modified during the September 24 Hearing are just, reasonable and in the public interest.

The Division recommended approval of the proposed rate changes in Docket Nos. 15-057-11, 15-057-12, and the Infrastructure Rate Adjustment rate changes in Docket No. 15-057-13 on an interim basis, effective October 1, 2015. The Division also recommended approval of

DOCKET NOS. 15-057-11, 15-057-12, 15-057-13, AND 15-057-14

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the Step 2 Base DNG rate in Docket No. 15-057-13 and the rates in Docket No. 15-057-14 on a final basis, effective October 1, 2015. The Office of Consumer Services (“Office”) also recommended approval of Questar’s requested rate changes, with the corrections cited during the September 24 Hearing, concurring that the rates are just, reasonable and in the public interest. No one commented on or otherwise opposed the pending applications at the public witness hearing held on September 24, 2015.

At the conclusion of the September 24 Hearing, the Presiding Officer issued a bench ruling, approved and confirmed by the Commission, approving the rates proposed in Docket Nos. 15-057-11, 15-057-12, and the Infrastructure Rate Adjustment rates proposed in Docket No. 15-057-13, as corrected, on an interim basis pending review of the Division’s audits (September 24 Bench Ruling). The Commission also approved the proposed Step 2 Base DNG rates proposed in Docket No. 15-057-13 and rates proposed in Docket No. 15-057-14 as final.

On September 24, 2015, Questar filed revised tariff sheets in Docket No. 15-057-T05, entitled “In the Matter of Questar Gas Company’s Filing to Comply with the Commission’s Bench Order Issued on September 24, 2015, in Docket Nos. 15-057-11, 15-057-12, 15-057-13, and 15-057-14.” These tariff sheets reflect the Commission’s September 24 Bench Order. On September 28, 2015, the Office filed comments in Docket Nos. 15-057-11, -12, -13, and -14, indicating that it reviewed the updated exhibits provided by Questar during the September 24 Hearing and the tariff sheets filed by Questar on September 24, and that it concurs that the tariff sheets reflect the changes approved during the September 24 Hearing and Bench Ruling. On September 29, 2015, the Division filed comments in Docket No. 15-057-T05 noting it had reviewed the revised tariff sheets and recommended the Commission approve the rates filed by

Questar on September 24, 2015. On October 5, 2015, the Commission approved the tariff sheets filed in Docket No. 15-057-T05.

This written order memorializes the September 24 Bench Ruling. The evidence supporting each application is uncontested and is briefly summarized below.

DOCKET NO. 15-057-11, ACCOUNT 191 RATE CHANGES
("191 Account Application")

The 191 Account Application is based on projected Utah gas-related costs of \$546.054 million for the twelve months ending September 30, 2016 ("Test Year"),² and represents a \$17.625 million decrease from the rates set in Docket No. 15-057-04, the last 191 account pass-through proceeding.³ The proposed decrease consists of an \$18.148 million decrease in the net commodity component of rates and a \$0.524 million increase in the SNG component⁴ of rates during the Test Year.

Specifically, the 191 Account Application proposes a decrease to the commodity rate, which consists of a Base Gas Cost rate and a 191 amortization rate, from \$4.27079 to \$4.10429 per decatherm for firm and interruptible sales service customers. The 191 Account Application also proposes the following changes to SNG rates, which consist of a Base SNG rate and an SNG amortization rate.

² The \$546.054 million of Utah gas-related costs is comprised of \$446.575 million associated with the commodity portion of natural gas costs and \$99.479 million in supplier non-gas costs.

³ See *In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 15-057-04.

⁴ SNG costs are associated with gathering and processing Wexpro gas from the well heads to market hubs, transporting gas from market hubs to city gates, and storing gas in available gas storage facilities for later withdrawal during the winter months.

	<u>Current SNG Rate per Dth</u>	<u>Proposed SNG Rate per Dth</u>
GS Rate Schedule		
Summer Blocks 1 and 2 ⁵	\$0.58822	\$0.59092
Winter Blocks 1 and 2	\$1.25283	\$1.25858
FS Rate Schedule		
Summer Blocks 1, 2, and 3 ⁶	\$0.58822	\$0.59092
Winter Blocks 1, 2, and 3	\$1.22020	\$1.22580
NGV Rate Schedule	\$0.90407	\$0.90822
IS Rate Schedule	\$0.17925 ⁷	\$0.17930 ⁸

Gas Commodity Rate Change

The Division explains that the \$18.148 million decrease in the net commodity component of rates referenced above is due to a forecasted decrease in the price of natural gas during the Test Year. The 191 Account Application proposes a decrease in the Base Gas Cost rate from \$4.20785 to \$4.09706 per decatherm and a decrease in the 191 Amortization rate from \$0.06294 to \$0.00723 per decatherm. The decreased amortization rate reflects a change in the under-collected commodity balance of \$6.953 million in Docket No. 15-057-04 to \$0.788 million as of July 31, 2015.

The 191 Account Application forecasts a total Test Year system gas supply requirement of 120.108 million decatherms at a cost of \$566.159 million. Of this amount, 113.145 million decatherms will meet the projected sales requirement, 0.870 million decatherms will be placed into storage, and 6.093 million decatherms will be used for gas volume reimbursement due to gathering, transportation and distribution fuel and shrinkage. Questar anticipates meeting this

⁵ The GS Block 1 rate is applicable to the first 45 Dth and Block 2 is applicable to usage greater than 45 Dth.

⁶ The FS Block 1 rate is applicable to the first 200 Dth, Block 2 is applicable to the next 1,800 Dth, and Block 3 is applicable to usage over 2,000 Dth.

⁷ The IS Rate Schedule current DNG rate includes an adjustment of 0.25 percent for bad debt.

⁸ The IS Rate Schedule proposed DNG rate includes an adjustment of 0.25 percent for bad debt.

requirement with 64.505 million decatherms of Wexpro cost-of-service production (53.7 percent of the total), 24.930 million decatherms of current gas purchase contracts (20.8 percent of the total), and 30.673 million decatherms of gas purchased from the spot market and future gas contracts (25.5 percent of the total).

Cost-of-Service Production

For Wexpro cost-of-service production, Questar forecasts a total net cost of \$327.199 million (\$315.283 million allocated to Utah) at an average price of \$5.07244 per decatherm. With the addition of the recent Wexpro II Trail acquisition approved in Docket No. 13-057-13 (“Trail Unit Application”),⁹ the cost-of-service production is separately reported for the Wexpro I and Wexpro II agreements. According to the Division, this separation allows Questar and the Division to monitor and compare the costs and gas volumes produced under the two agreements. Wexpro I production has a projected cost of \$299.148 million (on a system-wide basis) at an average price of \$4.97468 per decatherm, including gathering costs and revenue sharing credits. Wexpro II production has a projected cost of \$28.051 million (on a system-wide basis) at an average price of \$6.41741 per decatherm including the gathering costs and revenue sharing credits.

The Division notes that while the price of Wexpro II gas is higher than originally anticipated, Wexpro II gas volumes represent only 6.8 percent of the volume of cost-of-service gas. The Division indicates that because of the small volumes, the incremental price impact of Wexpro II gas on the total price of cost-of-service gas is only approximately \$0.10 (*i.e.*, the

⁹ See *In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13 (November 5, 2013; Application).

difference between \$5.07244 for the total cost-of-service gas price and \$4.97468 for the Wexpro I gas price).

The 191 Account Application includes Wexpro's \$297.115 million operator service fee, which the Division indicates is a decrease of \$16.235 million from the previous filing. The Division explains the reduction is due to lower production volumes and lower market prices. The Division states it continues to review the operator service fee as part of its audit and review of the 191 account and will present any findings to the Commission in future audit reports.

The Division addresses a recent verdict in a lawsuit brought against Wexpro. In that suit a jury awarded plaintiffs \$14.1 million from Wexpro related to a disputed royalty interest in oil and gas leases in the Pinedale Field. The Division states Wexpro intends to appeal that verdict. During the September 24 Hearing, Questar stated the disputed \$14.1 million award has been, and continues to be, billed to Questar over time through the Wexpro operator service fee. At present \$8.2 million has been passed through to Questar customers.

Purchased Gas

The Division reports that purchased gas from third parties has a projected cost of \$152.189 million (\$146.612 million allocated to Utah) at an average cost of \$2.73708 per decatherm. When compared with the Wexpro cost-of-service production cost of \$5.07244 per decatherm, Questar forecasts a difference of \$2.33536 per decatherm between Wexpro-produced gas and third party purchased gas. The difference in price between purchased gas and Wexpro-produced gas in the previous 191 account application in Docket No. 15-057-04 was \$2.25569.

The Division observes Questar's forecast of natural gas prices is similar to that presented in the last pass-through request in Docket No. 15-057-04. Questar calculates an average forward-

looking thirteen-month forecast spot price of \$2.71 per decatherm as compared to \$2.69 per decatherm in the previous filing. The Division indicates the forecast used in this application anticipates an average natural gas market price of approximately \$2.69 per decatherm during the summer months and \$2.70 per decatherm in the winter months.

SNG Costs

Questar proposes a \$0.524 million increase in the SNG component of rates during the Test Year. This increase represents the difference between total SNG costs of \$114.837 million and SNG costs recovered at current rates of \$114.313 million. To achieve the requested increase, Questar proposes to increase the Base SNG rates and the SNG amortization rates as follows, which sum to the total SNG rates presented above.

	<u>Current Rate per Dth</u>	<u>Proposed Rate per Dth</u>
GS Rate Schedule		
SNG Base Rate		
Summer Blocks 1 and 2	\$0.50911	\$0.51174
Winter Blocks 1 and 2	\$1.08433	\$1.08995
SNG Amortization Rate		
Summer Blocks 1 and 2	\$0.07911	\$0.07918
Winter Blocks 1 and 2	\$0.16850	\$0.16863
FS Rate Schedule		
SNG Base Rate		
Summer Blocks 1, 2, and 3	\$0.50911	\$0.51174
Winter Blocks 1, 2, and 3	\$1.05609	\$1.06156
SNG Amortization Rate		
Summer Blocks 1, 2, and 3	\$0.07911	\$0.07918
Winter Blocks 1, 2, and 3	\$0.16411	\$0.16424

	<u>Current Rate per Dth</u>	<u>Proposed Rate per Dth</u>
NGV Rate Schedule		
SNG Base Rate	\$0.78248	\$0.78653
SNG Amortization Rate	\$0.12159	\$0.12169
IS Rate Schedule		
SNG Base Rate ¹⁰	\$0.17925	\$0.17930
SNG Amortization Rate	not applicable	not applicable

As of July 2015, Questar reports the SNG amortization account shows an under-collected balance of \$15.358 million. The Division explains the over- or under-collection of the SNG balance is calculated and adjusted once per year in the spring 191 account filing. The Division also provided an update of the legal proceeding between Questar and QEP Field Services Company relating to the cost of gathering services for gas produced by Wexpro.¹¹

Parties' Positions

The Division testifies that the rates proposed in the 191 Account Application are just, reasonable and in the public interest, and recommends their approval on an interim basis subject to audit and review effective October 1, 2015. The Office concurs. Based on the information presented in the 191 Account Application, the Division calculates a typical GS residential customer will realize an annual bill decrease of \$12.94, or 1.83 percent.

¹⁰ The IS Rate Schedule SNG Base Rate includes an adjustment of 0.25 percent for bad debt.

¹¹ The Division reports that on December 2, 2014, the Third District Court in Salt Lake City ("Court") issued a Memorandum Decision granting two motions and denying two motions for partial summary judgement for breach of contract filed by Questar. The Court also denied two motions for partial summary judgement filed by QEP Field Services Company and denied cross-motions related to another claim. The resolution date for this proceeding is currently unknown. Through July 2015, the cumulative difference between QEP's billings and Questar's payments is approximately \$16.6 million.

DOCKET NO. 15-057-12, CONSERVATION ENABLING TARIFF (“CET”)
BALANCING ACCOUNT
(“CET Application”)

The CET Application affects only the CET component of the DNG rates of the GS rate class. According to Questar, as of July 31, 2015, the CET deferral account (Account No. 191.9) had an under-collected balance of \$6.522 million. The current CET rates approved in Docket No. 15-057-05¹² are based on an under-collected balance of \$2.668 million. The Division explains that amortizing a larger balance results in an increase in the CET rates. As a result of these changes, a typical GS residential customer using 80 decatherms per year will see an annual bill increase of approximately \$3.27, or 0.46 percent.

	<u>Current CET Rate per Dth</u>	<u>Proposed CET Rate per Dth</u>	<u>Difference in CET Rates per Dth</u>
GS Rate Schedule			
Summer Block 1	\$0.02285	\$0.05586	\$0.03301
Summer Block 2	\$0.00965	\$0.02360	\$0.01395
Winter Block 1	\$0.03107	\$0.07595	\$0.04488
Winter Block 2	\$0.01787	\$0.04369	\$0.02582

As committed to during the May 28, 2015 Hearing in Docket No. 15-057-05, Questar’s CET Application includes a discussion of changes to its weather normalization adjustment (“WNA”) algorithm and the associated effect on revenues. Questar explains it changed the WNA adjustment method on March 1, 2015, by implementing a cap on the actual degree-days when weather was over 15 percent warmer or colder than normal. The result of this cap reduced collected revenues from April through July by about \$0.771 million. Questar further explains the cap was removed on July 1st because it determined the 15 percent warmer or colder threshold

¹² See *In the Matter of the Application of Questar Gas Company to Amortize the Conservation Enabling Tariff Balancing Account*, Docket No. 15-057-05 (April 30, 2015; Questar Application).

was too restrictive. Questar states it is analyzing other ways to create a limitation on the heating degree-days that are less restrictive.

During the September 24 Hearing Questar presented a minor clarification to the language on Page 3 of its CET Application. In addition, Questar stated it plans to maintain the current WNA algorithm and, if desired by the Commission, would present possible changes to the WNA algorithm to the Commission.

Parties' Positions

The Division testifies that the rates proposed in the CET Application are just reasonable, and in the public interest, and recommends the Commission adopt them on an interim basis subject to audit and review effective October 1, 2015. The Office agrees.

DOCKET NO. 15-057-13 – STEP 2 DNG RATES AND INFRASTRUCTURE RATE ADJUSTMENT ("DNG/IT Application")

The DNG/IT Application, as corrected during the September 24 Hearing, contains two proposals; namely to implement the Step 2 Base DNG rate increase approved by the Commission in Docket No. 13-057-05¹³ and updated in Docket No. 13-057-19,¹⁴ and to adjust the Infrastructure Rate Adjustment component of DNG rates to reflect recent infrastructure investment. The rate changes proposed in this docket are applicable to Questar's GS, FS, NGV, IS, FT-1, MT, and TS rate schedules.

¹³ See *In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and to Make Tariff Modifications*, Docket No. 13-057-05 (Report and Order; February 21, 2014).

¹⁴ See *In the Matter of the Application of Questar Gas Company for Authority to Change its Depreciation Rates*, Docket No. 13-057-19 (Report and Order; June 6, 2014).

In addition, Questar proposes to update Tariff Section 2.08 to reflect the Commission-Approved Step 2, allowed GS DNG revenue per customer per month. If approved, Questar indicates a typical residential GS customer will realize an annual bill increase of \$0.85 (0.12 percent), resulting from a \$0.06 decrease due to a change in the Base DNG rate and a \$0.91 increase due to a change in the Infrastructure Tracker Adjustment rate. Table 1 presents the CET revenue per customer per month associated with the 2015 Step 2 revenue change. Table 2 presents the DNG rate changes proposed in this docket.

Table 1. Proposed Allowed Revenue per Customer

Month	Current Rate per Customer per Month	Step 2 Rate per Customer per Month, Effective October 1, 2015
January	\$49.40	\$49.30
February	\$40.99	\$40.92
March	\$32.86	\$32.81
April	\$20.74	\$20.70
May	\$13.66	\$13.64
June	\$11.64	\$11.62
July	\$11.10	\$11.08
August	\$11.06	\$11.05
September	\$12.81	\$12.79
October	\$17.18	\$17.15
November	\$31.73	\$31.67
December	\$44.41	\$44.33

The proposed changes to the Demand Charge per decatherm for the FT-1 Schedule presented in Table 2 result in a total Annual Demand Charge of \$13.35 per decatherm and a monthly equivalent of \$1.11 per decatherm. The proposed changes to the Demand Charge per decatherm for the TS Schedule presented in Table 2 result in a total Annual Demand Charge of \$26.31 per decatherm and a monthly equivalent of \$2.19 per decatherm.

Table 2. Proposed DNG Rates (per Dth)

Description	Usage Blocks	Current Base DNG Rate	Proposed Step 2 Base DNG Rates, Effective October 1, 2015	Current Infrastructure Rate Adjustment Rate	Proposed Infrastructure Rate Adjustment Rate, Effective October 1, 2015
GS General Service					
Winter 1st block	0 - 45	\$2.35422	\$2.34949	\$0.04444	\$0.05646
Winter 2nd block	over 45	\$1.35422	\$1.34949	\$0.02557	\$0.03243
Summer 1st block	0 - 45	\$1.73142	\$1.72670	\$0.03269	\$0.04150
Summer 2nd block	over 45	\$0.73142	\$0.72670	\$0.01381	\$0.01746
FS Firm Sales					
Winter 1st block	0 - 200	\$1.24695	\$1.24572	\$0.01890	\$0.02437
Winter 2nd block	201 - 2,000	\$0.86695	\$0.86572	\$0.01314	\$0.01694
Winter 3rd block	over 2,000	\$0.46695	\$0.46572	\$0.00708	\$0.00911
Summer 1st block	0 - 200	\$0.82060	\$0.81937	\$0.01244	\$0.01603
Summer 2nd block	201 - 2,000	\$0.44060	\$0.43937	\$0.00668	\$0.00859
Summer 3rd block	over 2,000	\$0.04060	\$0.03937	\$0.00062	\$0.00077
NGV Natural Gas Vehicles		\$5.43164	\$5.42207	\$0.07309	\$0.10488
IS Interruptible Sales					
1st block	0 - 2,000	\$0.42250	\$0.43528	\$0.00818	\$0.02325
2nd block	2,001 - 20,000	\$0.06380	\$0.06573	\$0.00124	\$0.00351
3rd block	over 20,000	\$0.03756	\$0.03869	\$0.00073	\$0.00207
FT-1 Firm Transportation					
1st block	0 - 10,000	\$0.22984	\$0.23673	\$0.00614	\$0.00827
2nd block	10,001 - 122,500	\$0.21540	\$0.22185	\$0.00575	\$0.00775
3rd block	122,501 - 600,000	\$0.15121	\$0.15574	\$0.00404	\$0.00544
4th block	over 600,000	\$0.03085	\$0.03178	\$0.00082	\$0.00111
Demand Charge	per Dth	\$12.39	\$12.90	\$0.33092	\$0.45069
MT Municipal Transportation		\$0.66539	\$0.65141	\$0.00852	\$0.01621
TS Transportation Service					
1st block	0 - 200	\$0.70401	\$0.73301	\$0.01178	\$0.01432
2nd block	201 - 2,000	\$0.46021	\$0.47917	\$0.00770	\$0.00936
3rd block	2,001 - 100,000	\$0.18821	\$0.19596	\$0.00315	\$0.00383
4th block	over 100,000	\$0.06966	\$0.07253	\$0.00117	\$0.00142
Demand Charge	per Dth	\$24.79	\$25.81	\$0.41472	\$0.50428

In 2010, the Commission authorized Questar to establish the Infrastructure Tracker Pilot Program (“Tracker”).¹⁵ In the Commission’s February 21, 2014 Report and Order in Docket No.

¹⁵ See *In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges and Make Tariff Modifications*, Docket No. 09-057-16 (Report and Order; June 3, 2010).

13-057-05¹⁶ the Commission authorized Questar to continue the Tracker with the condition that Questar defer increasing customers' rates until it had completed and placed into service \$84 million of infrastructure investment. In Docket No. 14-057-27,¹⁷ Questar reported \$114.949 million of infrastructure investment had been made, closed, and placed in service as of October 31, 2014. The investment in excess of \$84 million reflected a revenue requirement of \$4.105 million.¹⁸

In this docket Questar represents that approximately \$128.293 million of infrastructure investment has been made, closed and placed into service by August 31, 2015, representing an investment increase of \$13.344 million since October 31, 2014. Questar now requests to increase the Infrastructure Rate Adjustment component of the DNG Rate for all customer class schedules to reflect this additional \$13.344 million in infrastructure investment. To determine the proposed revenue increase, Questar applies its allowed pre-tax rate of return to the net rate base investment of \$41.535 million. Questar then accounts for depreciation expense, taxes, and three other adjustments resulting in a total incremental revenue requirement increase of approximately \$1.208 million. The three referenced adjustments are for: 1) over-collection in December and January 2015 based on the difference between regular tax depreciation rates and bonus tax depreciation rates (-\$57,877); 2) interruption penalties resulting from customers failing to

¹⁶ See *In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 13-057-05 (Report and Order; February 21, 2014).

¹⁷ See *In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment*, Docket No. 14-057-27.

¹⁸ The original proposed revenue requirement in Docket No. 14-057-27 was \$4.323 million. The revenue requirement was later decreased to reflect the impact of bonus depreciation recently signed into law as part of the Tax Increase Prevention Act of 2014 (HR 5771). The revenue requirement and associated rates were approved by the Commission on January 26, 2015.

interrupt in accordance with Section 3.02 of Questar's Tariff (-\$440,200); and 3) infrastructure rate adjustment revenue to be collected from the Lake Side Electric Plant (-\$116,732).

Questar provided summary data to substantiate the amount of its infrastructure investments and calculations showing the amount of revenue required to compensate Questar for its infrastructure investments. Questar also provided calculations illustrating how it had distributed the revenue requirement among its customer class schedules and revised Tariff sheets proposing the Infrastructure Rate Adjustment presented in Table 2 above.

Parties' Positions

During the September 24 Hearing, the Division indicated it was continuing to assess Questar's implementation of the interruption penalty provision in Tariff Section 3.02 and will conduct an audit after the rates in this docket have been approved.

The Division states approval of Questar's application will cause a typical GS rate class customer's annual bill to increase \$0.85, or 0.12 percent. The Division believes Questar's request complies with the Commission's prior order to defer collecting infrastructure investment until Questar had invested \$84 million.

The Division and the Office testify that the rates proposed in the DNG/IT Application, as modified during the September 24 Hearing are just, reasonable and in the public interest. The Division recommends the Commission adopt, effective October 1, 2015, the Infrastructure Rate Adjustment rates in the DNG/IT Application on an interim basis subject to audit and review, and the Step 2 DNG Base Rates in the DNG/IT Application as final rates.

DOCKET NO. 15-057-14, ENERGY ASSISTANCE RATE ADJUSTMENT
("Energy Assistance Application")

The Energy Assistance Application affects the energy assistance component of the DNG rates of the GS, FS, NGV, IS, FT-1, MT, and TS rate classes. According to Questar, as of July 31, 2015, the energy assistance deferral account (Account No. 191.8) had an under-collected balance of \$0.231 million and a payout balance owed of -\$0.079 million. The combination of the payout balance owed and the projected collections during the rate effective period will result in \$1,652,628 available for credit to qualifying customers. Assuming 26,872 participants, Questar proposes to maintain the credit available for qualified low income customers at \$61.50 per year.

The Division provides a brief history of participation in the Energy Assistance Program. Based on the available balance, the forecast collection amounts, and the number of estimated participants, the Division states that the credit of \$61.50 per customer per year is appropriate.

Questar clarified at hearing that its proposed revenue allocation and rate design are based on forecast decatherms for the Test Period, not for the time period of October 2015 through November 2016 as indicated in Exhibit 1.2 of the Energy Assistance Application. Questar also clarified that the phrase "heat qualified customers" in Exhibit 1.2 refers to qualified customers receiving energy assistance. As a result of these changes, a typical GS residential customer using 80 decatherms per year will see an annual bill increase of approximately \$0.14, or 0.02 percent.

Schedule	<u>Current EA Rate per Dth</u>	<u>Proposed EA Rate per Dth</u>	<u>Difference in EA Rates per Dth</u>
GS	\$0.01408	\$0.01603	\$0.00195
FS	\$0.01062	\$0.01347	\$0.00285
NGV	\$0.02115	\$0.03061	\$0.00946
IS	\$0.00799	\$0.02059	\$0.01260
FT-1	\$0.00018	\$0.00027	\$0.00009
MT	\$0.00183	\$0.00220	\$0.00037
TS	\$0.00052	\$0.00074	\$0.00022

Parties' Positions

The Division supports the Energy Assistance Application and believes it is in compliance with Utah Code Ann. § 54-7-13.6. The Division testifies, and the Office agrees, that these rates are just, reasonable and in the public interest, and recommends the Commission approve them as final rates effective October 1, 2015.

DISCUSSION, FINDINGS, AND CONCLUSIONS

Based on the Questar applications, the recommendations of the Division and the Office, and the testimony presented at the September 24 Hearing, the Commission approves the rates in Docket Nos. 15-057-11 and 15-057-12, and the Infrastructure Rate Adjustment rates in Docket No. 15-057-13 on an interim basis, pending the completion and review of audits by the Division. Also, the Commission approves the Step 2 Distribution Non-Gas rates in Docket No. 15-057-13 and the rates in Docket No. 15-057-14 on a final basis.

Pertaining to the Wexpro \$14.1 million legal verdict, as noted in our June 9, 2015 Order in Docket Nos. 15-057-04 and 15-057-05, inclusion of this cost in final rates is subject to our action on the Division's future audit.

In addition, following Questar's offer pertaining to future changes to its WNA algorithm, we request Questar notify the Commission of future changes to the WNA algorithm, including an explanation of the changes prior to their implementation.

Finally, we appreciate Questar providing replacement Exhibits 1.1R Page 4, 1.2R, 1.3R, 1.5R, and 1.6R for the application in Docket No. 15-057-13 at the September 24 Hearing. In order to ensure a complete and transparent record in this docket, we request Questar file these replacement exhibits within 14 days of the date of this order.

ORDER

Based on the Questar applications, the recommendations of the Division and the Office, and the testimony presented at the hearing:

- 1) The rates proposed in the 191 Account Application, the CET Application, and the Infrastructure Rate Adjustment portion of the DNG/IT Application, as corrected at the September 24 Hearing, are approved on an interim basis, effective October 1, 2015, pending the final review of the Division's audits.
- 2) The rates proposed in the Step 2 Base DNG portion of the DNG/IT Application and the Energy Assistance Application are approved as final rates effective October 1, 2015.
- 3) Questar shall file the replacement Exhibits 1.1R Page 4, 1.2R, 1.3R, 1.5R, and 1.6R for the application in Docket No. 15-057-13 as provided in the September 24 Hearing within 14 days of the date of this order.
- 4) Questar shall notify the Commission of all future changes to its WNA algorithm prior to implementing them.

DATED at Salt Lake City, Utah, this 26th day of October, 2015.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed this 26th day of October, 2015, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#270196

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 written 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 CERTIFY that on the 26th day of October, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Colleen Larkin Bell (colleen.bell@questar.com)
Jenniffer Nelson Clark (jenniffer.clark@questar.com)
Attorneys for Questar Gas Company

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Rex Olsen (rolsen@utah.gov)
Utah Assistant Attorneys General

By Hand-Delivery:

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

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

Administrative Assistant