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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, Energy Group Manager
Carolyn Roll, Technical Consultant
Eric Orton, Utility Analyst

Date: January 14, 2016

Subject: Comments on Questar's Motion to Modify and Replace Tariff Schedules

In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment Docket No. 15-057-17

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the proposed new rates in the Infrastructure Rate Adjustment as requested by Questar Gas Company (Company) in this application. The requested rate changes will continue to be on an interim basis until a complete audit can be performed. The Division also recommends that the Commission accept the proposed tariff sheets for the Questar Gas Company Tariff 400.

BACKGROUND

On October 26, 2015, the Commission confirmed its bench ruling of September 24, 2015, approving the corrected tariff sheets with an effective date of October 1, 2015 in docket 15-057-

13. Additionally on December 2, 2015 the Commission confirmed its bench ruling approving the tariff sheets filed in docket 15-057-17 making these new rates effective December 1, 2015. In calculating these infrastructure replacement rates, the Company used its normal distribution non-gas depreciation rates. However, on December 18, 2015, the PATH Act was signed into law which extended bonus depreciation treatment through 2017.

On January 4, 2016 the Company filed its Motion to Modify and Replace Tariff Schedules for GS, FS, IS, TS, FT-1, MT and NGV rate classes proposing to implement the effects of the new law. On the same day the Commission issued its Notice of Filing and Comment Period for dockets 15-057-13 and 15-057-17, with comments due January 14, 2016. These are the Division's comments.

ISSUE

This filing is a request to decrease the infrastructure replacement rate currently charged to customers. As part of the current rates, the Commission also approved the infrastructure replacement depreciation amount used by the Company. However, on December 18, 2015, the depreciation tax law changed allowing bonus depreciation to be used instead. The result of the change, in this situation, is that it allowed for larger depreciation rates to be applied to the Company's infrastructure rate.

The Company proposes to implement the new depreciation rates and change the revenue requirement in this docket. If these rates are approved, the proposed change is a reduction in the overall annual revenue requirement of \$1,755,668.

Effect on a typical GS Customer

If the filing is approved the typical GS customer will see a decrease in their annual rates of \$1.37 or 0.2%

DISCUSSION

The Company's application includes eight exhibits. Exhibits 1.1 through 1.6 are the revised exhibits of docket 15-057-17. Exhibit 1.7 shows the over-collection credit calculation producing a resultant credit of \$432,038 for December 2015 and January 2016 which included the old depreciation rates. The amount from these two months is included in the \$1.755 million. Finally Exhibit 1.8 shows the impact of the bonus depreciation on the 15-057-13 revenue requirement. The Division had discussions with Company representatives, reviewed a sampling of the calculations, and it appears that the filing is accurate.

CONCLUSION

The Division recommends that the Commission approve the proposed new rates as filed by the Company and the accompanying tariff sheets on an interim basis until the Division can complete an audit at which time we will make a final recommendation to the Commission.

CC: Barrie McKay, Questar Gas Company
 Kelly Mendenhall, Questar Gas Company
 Michele Beck, Office of Consumer Services