- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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| In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment | DOCKET NO. 15-057-17 |
| In the Matter of the Application of Questar Gas Company to Amortize the Demand Side Management/Energy Efficiency Deferred Account Balance | DOCKET NO. 15-057-18<br><br>ORDER CONFIRMING BENCH RULINGS |

ISSUED: December 2, 2015

## SYNOPSIS

The Commission approves two uncontested rate applications of Questar Gas Company, on an interim basis pending the completion of audits by the Division of Public Utilities. The anticipated combined effect of these applications is to increase a typical GS residential customer's annual bill by approximately $5.71, or approximately 0.82 percent.

## BACKGROUND

Questar Gas Company (QGC) filed the two above-captioned rate applications on October 30, 2015. The application in Docket No. 15-057-17 proposes discrete rate changes to be effective December 1, 2015, and the application in Docket No. 15-057-18 proposes no rate change by maintaining the current amortization rate. Answering the Commission's action requests, the Division of Public Utilities (Division) filed a consolidated response on November 23, 2015. The Division's response states if both applications are approved, a typical General Service (GS) residential customer will see a net annual bill increase of approximately $5.71, or approximately 0.82 percent. The Division's response recommends the Commission approve both applications on an interim basis until audits are performed. On November 25, 2015, QGC filed reply comments in Docket No. 15-057-18, which included corrected Exhibits 1.1, 1.2 (Page 1 of 2) and 1.2 (Page 2 of 2).

On November 30, 2015, the Commission's designated presiding officer held a hearing and heard each application consecutively. At hearing, QGC provided a summary and testimony in support of each application. In addition, the Division summarized pertinent portions of its response to the Commission's action requests. As committed to during the hearing, on November 30, 2015, QGC filed a corrected Exhibit 1.3 (Page 2 of 2) in Docket No. 15-057-18. In the corrected exhibit, cell C10 reflects the correct amortization volumes for the period December 2015 through November 2016.

At the conclusion of the hearing, the presiding officer issued a bench order, approved and confirmed by the Commission, approving the rate changes requested in the applications on an interim basis. This order memorializes the bench ruling. The evidence supporting each application is uncontested and is briefly summarized below.

DOCKET NO. 15-057-17

In 2010, the Commission authorized QGC to establish the Infrastructure Tracker Pilot Program (Tracker).[1] In its 2013 general rate case order dated February 21, 2014,[2] the Commission authorized QGC to continue the Tracker with the proviso that QGC defer increasing customers' rates until QGC had completed and placed into service $84 million of infrastructure investment. In Docket No. 14-057-27,[3] QGC reported $114.949 million of infrastructure

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[1] *See* Docket No. 09-057-16, *In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges and Make Tariff Modifications* (Report and Order; June 3, 2010).
[2] *See* Docket No. 13-057-05, *In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications* (Report and Order; February 21, 2014).
[3] *See* Docket No. 14-057-27, *In the Matter of the Application of Questar Gas Company to Change the 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. In Docket No. 15-057-13,[4] QGC represented that approximately $128.293 million of infrastructure investment had been made, closed and placed into service by August 31, 2015, reflecting a revenue requirement of $5.313 million.

In this application, QGC represents that approximately $182.104 million of infrastructure investment has been made, closed, and placed in service from January 2013 through October 2015. QGC now requests to increase the Infrastructure Rate Adjustment component of the DNG Rate for all customer class schedules to reflect this additional approximately $53.810 million in infrastructure investment since August 31, 2015. To determine the proposed revenue increase, QGC applies its allowed pre-tax rate of return to the net rate base investment of $94.335 million. QGC then accounts for depreciation expense and taxes resulting in a total revenue requirement of $13.410 million.

QGC then modifies the total revenue requirement by applying the following adjustments: 1) reduction for over-collection in December and January 2015 based on the difference between regular tax depreciation rates and bonus tax depreciation rates (-$32,772); 2) reduction for interruption penalties resulting from customers failing to interrupt in accordance with Section 3.02 of QGC's Tariff (-$440,200); and 3) reduction due to infrastructure rate adjustment revenue to be collected from the Lake Side Electric Plant (-$278,004). This results in a revenue

*Rate Adjustment.*

[4] *See* Docket No. 15-057-13, *In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment.*

requirement of $12.659 million, representing an incremental revenue requirement of $7.346 million since that approved in Docket No. 15-057-13.

QGC provided summary data to substantiate the amount of its infrastructure investments and provided calculations showing the amount of revenue required to compensate QGC for its infrastructure investments. QGC also provided calculations illustrating how it had distributed the revenue requirement among its customer class schedules in accordance with the cost of service information approved in the Commission's June 6, 2014, Report and Order in Docket No. 13-057-19.[5] Table 1 presents a comparison of the infrastructure rate adjustment rates approved in Docket No. 15-057-13, effective October 1, 2015, and those approved in this docket effective December 1, 2015.

The Division states approval of QGC's application will cause a typical GS rate class customer's annual bill to increase approximately $5.71 or 0.82 percent. The Division believes QGC's request complies with the Commission's prior order to defer collecting infrastructure investment until QGC had invested $84 million. The Division mentions that QGC lowered its 2015 Tracker budget from $66.1 million to $62.8 million after discovering it had overspent its Tracker budget in 2014. The Division testifies that the proposed rates are just and reasonable, and in the public interest. The Division recommends the Commission approve the proposed infrastructure rates on an interim basis until the Division can complete an audit. During the November 30 hearing, the Division explained that it will complete its required audits of the Tracker prior to the next general rate case.

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[5] *See* Docket No. 13-057-19, *In the Matter of the Application of Questar Gas Company for Authority to Change its Depreciation Rates.*

**Table 1. Infrastructure Rate Adjustment Rates**

| Description | Usage Blocks in Decatherms | Infrastructure Rate Adjustment Rates Effective October 1, 2015 | Infrastructure Rate Adjustment Rates, Effective December 1, 2015 |
|---|---|---|---|
| GS General Service | | | |
| Winter 1st block | 0 - 45 | $0.05646 | $0.13400 |
| Winter 2nd block | over 45 | $0.03243 | $0.07697 |
| Summer 1st block | 0 - 45 | $0.04150 | $0.09848 |
| Summer 2nd block | over 45 | $0.01746 | $0.04145 |
| FS Firm Sales | | | |
| Winter 1st block | 0 - 200 | $0.02437 | $0.05804 |
| Winter 2nd block | 201 - 2,000 | $0.01694 | $0.04034 |
| Winter 3rd block | over 2,000 | $0.00911 | $0.02170 |
| Summer 1st block | 0 - 200 | $0.01603 | $0.03818 |
| Summer 2nd block | 201 - 2,000 | $0.00859 | $0.02047 |
| Summer 3rd block | over 2,000 | $0.00077 | $0.00183 |
| NGV Natural Gas Vehicles | | $0.10488 | $0.24988 |
| IS Interruptible Sales | | | |
| 1st block | 0 - 2,000 | $0.02325 | $0.05534 |
| 2nd block | 2,001 - 20,000 | $0.00351 | $0.00836 |
| 3rd block | over 20,000 | $0.00207 | $0.00492 |
| FT-1 Firm Transportation | | | |
| 1st block | 0 - 10,000 | $0.00827 | $0.01970 |
| 2nd block | 10,001 - 122.500 | $0.00775 | $0.01846 |
| 3rd block | 122.501 - 600,000 | $0.00544 | $0.01296 |
| 4th block | over 600,000 | $0.00111 | $0.00264 |
| Demand Charge | per decatherm | $0.45069 | $1.07364 |
| MT Municipal Transportation | | | |
| | all decatherms | $0.01621 | $0.03861 |
| TS Transportation Service | | | |
| 1st block | 0 - 200 | $0.01432 | $0.03226 |
| 2nd block | 201 - 2.000 | $0.00936 | $0.02109 |
| 3rd block | 2,001 - 100,000 | $0.00383 | $0.00862 |
| 4th block | over 100,000 | $0.00142 | $0.00319 |
| Demand Charge | per decatherm | $0.50428 | $1.13585 |

DOCKET NO. 15-057-18

Pursuant to prior order of the Commission,[6] QGC has established a deferred expense account, Account 182.4 of the Uniform System of Accounts, to record the costs associated with approved energy efficiency programs (the Energy Efficiency Account). Amounts owing to either QGC or ratepayers as a consequence of the balance in the Energy Efficiency Account are amortized and included as a component of the Distribution Non-Gas Rate in QGC's GS rate schedule. Section 2.09 Thermwise® Energy Efficiency of QGC's Utah Natural Gas Tariff PSCU 400 requires QGC to file an application with the Commission at least annually to amortize the balance in Account 182.4. This filing satisfies that requirement.

Between 2011 and early 2014, the amortization rate was set at a level sufficient to expedite payment of a substantial balance that had accrued in the account and had thereby mitigated the interest due on that balance. Since then, the monthly balance in Account 182.4, on average, has hovered around zero. QGC states the balance in Account 182.4 through September 2015 is $3,007,234[7] owed to QGC and provides a forecast of the Account 182.4 balance through November 2016.

QGC's instant application requests no change to the current DSM amortization rate of $0.24341 per decatherm. Based on the current Account 182.4 balance, projected sales volumes, and the Energy Efficiency budget, QGC represents that it can maintain the current amortization rate and collect the required revenue while minimizing interest expense. QGC commits to

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[6] *See* Docket No. 05-057-T01, *In the Matter of the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders* (Order; January 16, 2007).

[7] QGC's application reported an energy efficiency account balance of $2,738,232 through September 2015. The account balance was updated to $3,007,234 in Questar's November 25, 2015 reply comments to reflect correction of an error and the most recent accrual amounts.

monitoring the Account 182.4 balance during the winter months during which customer usage is higher and will make any necessary adjustments in a spring filing. The Division agrees with the method used by QGC and concurs that no change in the energy efficiency amortization rate is necessary. The Division testifies approval of QGC's application will result in no change to a typical GS rate class customer's annual bill. The Division also testifies the proposed rates are just and reasonable, and in the public interest. The Division recommends the Commission approve the proposed rate on an interim basis until a complete audit is performed.

## DISCUSSION, FINDINGS AND CONCLUSIONS

Based upon our review of QGC's applications, the comments filed in the docket, and testimony provided at hearing, and lack of opposition to the applications, we find the proposed rates are just and reasonable, and in the public interest.

Regarding the Tracker, we note that QGC provided written notification to the Division that the 2014 Tracker budget cap had been exceeded in QGC's Replacement Infrastructure Annual Plan and Budget, Fourth Quarter Variance Report dated March 19, 2015. In addition, QGC filed a courtesy copy of this letter with the Commission on March 24, 2015. We remind QGC of the following language contained in paragraph 22.a of the Partial Settlement Stipulation approved in the Commission's February 21, 2014 Report and Order in Docket 13-057-05: "The Company may request Commission approval to exceed the budget cap if there are exigent circumstances requiring immediate capital expenditures."

ORDER

Pursuant to the foregoing discussion, findings and conclusions, we order:

1. QGC's application in Docket No. 15-057-17 is approved on an interim basis, pending the final results of the Division's audit.
2. QGC's application in Docket No. 15-057-18 is approved on an interim basis, pending the final results of the Division's audit.
3. The rate changes presented in the tariff sheets QGC filed in Docket No. 15-057-17 on October 30, 2015 are approved and effective December 1, 2015.

DATED at Salt Lake City, Utah, this 2nd day of December, 2015.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed this 2nd day of December, 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#270773

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 2nd day of December, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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