

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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
ORDER SETTING FINAL RATES

ISSUED: June 7, 2016

BACKGROUND AND PROCEDURAL HISTORY

On October 30, 2015, Questar Gas Company ("Questar") filed an application ("Application") with the Public Service Commission of Utah ("Commission") requesting approval to amortize the balance of its Demand Side Management ("DSM")/Energy Efficiency ("EE") Account No. 182.4 ("DSM Account"). In its Application, Questar proposed a DSM amortization rate of \$0.24341 per decatherm¹ applicable to the GS rate schedule. At the November 30, 2015 hearing on this matter the Commission approved the Application as filed ("November 2015 Bench Ruling"). The November 2015 Bench Ruling was memorialized in the Commission's Order Confirming Bench Rulings ("Order") issued on December 2, 2015.² The Order approved the Application on an interim basis, pending the final results of the Division of Public Utilities' ("Division") audit of Questar's DSM/EE program expenditures.

On January 19, 2016, the Division filed a report providing the results of its audit of Questar's actual DSM/EE program expenditures for the twelve-month period ending September 30, 2015 ("January Audit Report"). On January 27, 2016, the Commission issued a notice of

¹ Note: This rate was unchanged from the DSM amortization rate approved by the Commission in Docket No. 14-057-26, "In the Matter of the Application of Questar Gas Company to Amortize the Energy Efficiency Deferred Account Balance," Order Confirming Bench Rulings dated February 3, 2015.

² The detailed procedural history of this docket between October 30 and December 2, 2015, can be found in the Commission's Order Confirming Bench Rulings dated December 2, 2015.

filing and comment period allowing comments and reply comments on the Division's January Audit Report to be filed by February 26 and March 11, 2016, respectively. On February 26, 2016, Questar filed a letter responding to an issue identified in the January Audit Report ("February Verification Letter").

On March 24, 2016, the Commission issued an action request ("March Action Request") to the Division requesting clarification and analysis of an issue associated with the carrying charge interest rate applied to Account 182.4 identified in the January Audit Report. On April 20, 2016, the Division filed a response to the March Action Request ("Action Request Response") and on April 26, 2016, the Commission issued a notice of filing and comment period allowing comments to be filed on the Division's Action Request Response on or before May 18, 2016. On May 9, 2016, Questar filed a letter responding to the carrying charge interest rate issue identified in the Division's Action Request Response ("May Verification Letter").

THE DIVISION'S AUDIT

In the January Audit Report the Division explains its audit method and states that except for the following items, the DSM/EE program expenditures during the audit period appear to be correct: 1) \$4,168 of event tickets charged to the DSM/EE program market transformation contracts³; 2) an error in the allocation of the cost of a specific market transformation contract to the DSM/EE Program;⁴ 3) discrepancies between the information presented in the exhibits included with Questar's Application and the information presented in Questar's monthly financial

³ The Commission notes that while the Division generally identifies the event tickets information as confidential in the January Audit Report, Questar's February Letter does not identify this information as confidential.

⁴ The Commission notes that the Division generally identifies allocation error information as confidential in the January Audit Report and that Questar does not respond to this issue.

statements; and 4) Questar's incorrect application of the carrying charge interest rate to the DSM Account balance. In the Recommendation section of the January Audit Report the Division states "[b]efore the Division requests approval of Questar's rates on a permanent basis, the Division recommends to the [Commission] that it have Questar remove the cost of [tickets] from Questar's energy efficiency program." ⁵ Further, the Division requests Questar to file a letter verifying the adjustment and explaining the effect of the adjustment on the amortization rate. In the Conclusion section of the January Audit Report the Division also requests Questar to "explain any effect on the amortization rate based on removing the event tickets and [correcting the market transformation contract allocation error]." ⁶

Regarding the first issue, the Division identifies two types of event tickets which Questar's DSM/EE program "did not receive" ⁷ and recommends removal of the costs of these tickets from the DSM Account balance. In its February Verification Letter, Questar agreed with the Division's adjustment and committed to move \$4,168 from the DSM Account to the General and Administrative Account No. 921000. Questar represents this adjustment will have no measurable effect on the current amortization rate of \$0.24341 per decatherm.

Pertaining to the error in the allocation of the cost of a specific market transformation contract to the DSM/EE Program, the Division reports that on December 31, 2015, Questar made an accounting adjustment which resolves the matter. Questar's February Verification Letter did

⁵ Division's January Audit Report at 1, filed January 19, 2016.

⁶ *Id.* at 5.

⁷ *Id.* at 3.

not address the Division's request for an explanation of the effect of the accounting adjustment on the DSM amortization rate.

Regarding discrepancies between the information in the exhibits included in Questar's Application and the information presented in its monthly financial statements, the Division notes the differences are "due to [quarter-end] accruals for energy efficiency expenses which were incurred in September but were not invoiced until October."⁸ The Division also notes that in future DSM/EE filings, Questar committed to provide an explanation of accrual differences if they exist and that Questar will attempt to eliminate accruals between quarters.

With respect to the carrying charge interest rate applied to the DSM Account, according to the Division, a previously approved tax deferral deduction of approximately 38 percent for under-collected balances was not applied to the energy efficiency account balance until July 2015.⁹ In response to the Commission's March Action Request seeking clarification on this issue, the Division states it requested Questar to "provide the corrected carrying charge applying the tax deferral to the period of October 1, 2014 through September 30, 2015."¹⁰ According to the Division, Questar's revised carrying charge interest rate calculation identified that \$13,493 was owed to customers for the period in question. The Division states that it reviewed Questar's calculations and that it agrees with the adjustment. The Division represents that Questar indicated it will make the adjustment to the DSM account in April and provide verification once the adjustment has been made.

⁸ *Id.* at 4.

⁹ *Id.* at 4 - 5.

¹⁰ Division's Action Request Response at 2, filed April 20, 2016.

The Division also states that "[i]n [its] review of the tax deferral adjustment, there was no indication that the Company intentionally misled the Commission. Therefore, the Division is recommending making the adjustment for the October 1, 2014 through September 31, 2015 period and not for previous periods where rates have been finalized."¹¹ In its Action Request Response, the Division recommends the Commission approve the requested rate in this docket as a final rate, subject to Questar verifying the carrying charge adjustment and explaining the effect of the adjustment on the amortization rate.

In its May Verification Letter, Questar stated that it agreed with the Division's carrying charge adjustment and verified that it had made the respective accounting adjustments. According to Questar, the removal of this expense will reduce the DSM Account balance but will have no measurable effect on the DSM amortization rate of \$0.24341 per decatherm.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on Questar's Application, the Division's January Audit Report and Action Request Response, the adjustments identified by the Division and accepted by Questar, the Division's recommendation, Questar's February and May Verification Letters, and lack of opposition, we find the DSM amortization rate of \$0.24341 per decatherm is just, reasonable, and in the public interest. Accordingly, we approve the rate as final.

ORDER

The interim rate requested by Questar Gas Company to amortize the Demand Side Management/Energy Efficiency Account Balance in this docket is final.

¹¹ *Id.* at 3.

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DATED at Salt Lake City, Utah, June 7, 2016.

/s/ Thad LeVar, Chairman

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#277190

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 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 June 7, 2016, a true and correct copy of the foregoing was served upon the following as indicated below:

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