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To: Public Service Commission

From: Division of Public Utilities
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Date: December 17, 2015

Subject: 15-057-T06 - Questar Gas Company Compliance filing regarding Docket No. 14-057-31 Report and Order

RECOMMENDATION

The Division recommends the Commission approve the tariff as filed with an effective date of February 1, 2016. The Division's position is unchanged from its Action Request Response Memo dated December 8, 2015 in this Docket.

BACKGROUND

On November 9, 2015, the Commission issued its Order in Docket No. 14-057-31. The Order approved an imbalance charge to Questar Gas Company's (Questar Gas or Company) Transportation Customers of \$0.08896 per Dth to be applied to daily volumes outside of a 5 percent tolerance. The Order directed Questar Gas to file revised tariff sheets and to include a proposed effective date. On November 23, 2015, the Company filed revised tariff sheets for Sections 5.01, 5.05, 5.06 and 5.07 of the Questar Gas Tariff and identified an effective date of February 1, 2016. On December 8, 2015, the Division filed an Action Request Response recommending approval of the revised tariff sheets. On December 8, 2015, representatives from

Nucor Steel - Utah, a Division of Nucor Corporation (Nucor) and Summit Energy, LLC (Summit Energy) filed comments requesting a delay in the effective date. Both parties recommended a 90 day delay in the implementation with an effective date of May 1, 2016.

ISSUE

The Company's original filing in Docket No. 14-057-31 stated that there are two main objectives to be considered. First, the Company is seeking to assign costs to transportation customers for the supplier-non-gas services that are used on the Questar Gas system. Second, the Company would like to improve the nomination process so that the gas nominations for each customer are more closely aligned with the actual usage.

The Commission Order agreed with the Company that both objectives should be addressed and approved a charge designed for that purpose.¹ The Commission Order acknowledged that Questar Gas is managing Transportation Customers' daily imbalances on its system using Supplier Non-Gas (SNG) services currently paid for by Questar Gas' Sales Customers.² The Commission Order approved a supplier non-gas service charge of \$0.08896 per decatherm applied to daily imbalance volumes outside a +/- 5% tolerance for transportation customers taking service under the MT, TS and FT-1 rate schedules.

DISCUSSION

Nucor and Summit Energy have suggested that a 90 day delay in the effective date is needed in order to allow Transportation Customers time to adjust to the daily balancing requirement. Nucor indicated that during the winter months, harsh weather conditions can "wreak havoc with supply and capacity."³

This is the exact problem that this Docket is attempting to address. Supply issues created by unplanned weather conditions could have an impact on the Questar Gas system and require the use of no-notice services, by Transportation Customers, services which are currently planned for and paid by Sales Customers. Harsh weather conditions highlight the need for Transportation

¹ Utah Public Service Commission Order, Docket No. 14-057-31, page 27.

² Utah Public Service Commission Order, Docket No. 14-057-31, page 28.

³ Nucor's Comments on Questar Gas Company's Compliance Filing, December 8, 2015, page 2.

Customers to accurately nominate their gas supply so that Sales Customers are not impacted. Sales Customers are rarely impacted by harsh weather conditions because they pay for and use no-notice service. As determined in the Commission Order and acknowledged by the parties, Transportation Customers should be paying for the use of these services. More accurate nominations to each customer will also allow Questar Gas to better determine which customers may need to be curtailed or restricted if there is a mid-winter event.

Another issue that should be considered with a possible delay in the implementation is the potential impact on future proceedings. The Commission Order indicated that this rate is to be reviewed and evaluated in the upcoming 2016 general rate case and in future 191 account pass-through filings.⁴ The next Questar Gas rate case is anticipated to be filed during the second quarter of 2016. A 90-day delay in implementing the imbalance charge will result in less historical information available to evaluate the impact of this new rate.

The Division believes that this issue has been sufficiently discussed, with Questar Gas, the marketing companies, Transportation Customers, and regulators looking at this issue since the last general rate case. Additionally, the Company filed its application in this docket on December 18, 2014, followed by several rounds of testimony and a hearing, and the Commission issued an affirmative order on November 9, 2015. Improving the accuracy of the nomination process can reduce the impact of the future fee and will help Questar Gas better manage the gas supply for all customers. The potential charge for the use of these services and the requirement to improve future nominations should not come as a surprise and further delays in the implementation of the approved charge is not warranted nor would it be in the public interest.

CONCLUSION

The Division recommends that the Commission approve the tariff sheets as filed by the Company with an effective date of February 1, 2016.

⁴ Utah Public Service Commission Order, Docket No. 14-057-31, page 37.

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