

- 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. 16-057-05</u>
In the Matter of the Application of Questar Gas Company for an Adjustment to the Daily Transportation Imbalance Charge	<u>DOCKET NO. 16-057-06</u> <u>ORDER MEMORIALIZING BENCH</u> <u>RULINGS</u>

ISSUED: July 11, 2016

1. PROCEDURAL HISTORY

Questar Gas Company (“Questar”) filed applications in the above-referenced dockets on May 2, 2016. The application in Docket No. 16-057-05 (“191 Account Application”) seeks an adjustment in rates to reflect changes in Questar’s 191 Account, an energy cost balancing account. The application in Docket No. 16-057-06 (“TIC Application”) seeks an adjustment to Questar’s transportation imbalance charge. Questar requested both rate changes be effective June 1, 2016. On May 11, 2016, the Commission issued a Scheduling Order and Notice of Interim Rates Hearing, setting both dockets for hearing on May 31, 2016. The Division of Public Utilities (“Division”) filed written comments prior to hearing. The Commission received written comments from no other party.

On May 27, 2016, Questar filed a Request for Withdrawal and Refiling of Application (“Request to Refile”), seeking to withdraw its application filed on May 2, 2016, in Docket No. 16-057-05 and to refile it *nunc pro tunc* in public and confidential versions.¹

¹ Questar filed the Request to Refile to protect information in its 191 Account Application that Questar inadvertently did not designate as confidential in its initial filing.

On May 31, 2016, the Commission's designated Presiding Officer conducted a hearing ("Hearing") to consider the two applications. In addition to Questar, the Division and the Office of Consumer Services ("Office") participated. At the conclusion of the Hearing, the Presiding Officer issued a bench ruling approving the applications in Docket Nos. 16-057-05 and 16-057-06, as corrected during the hearing, effective June 1, 2016, on an interim basis pending Division audit ("Bench Ruling"). The Hearing Officer also granted the unopposed Request to Refile.

This written order memorializes the Bench Ruling. The applications and evidence supporting each application are uncontested and are briefly summarized below.

2. BACKGROUND

2.1. Docket No. 16-057-05: 191 Account Application

Questar's 191 Account Application relates to Questar's Account No. 191.1 of the Uniform System of Accounts, Unrecovered Purchased Gas Costs (Utah) ("191 Account").² The 191 Account's purpose is to allow Questar to recover, on a dollar-for-dollar basis, the difference between projected gas costs and the actual costs Questar incurs to purchase gas. In addition to commodity gas costs, the 191 Account also tracks certain "supplier non-gas costs" ("SNG costs"), which are costs associated with gathering, processing, transporting and storing gas.

Any realized balance that exists in the 191 Account is generally amortized over time and summed with projected gas costs to establish interim rates subject to the Division's audit. Here, the 191 Account Application is based on projected system gas supply costs of \$561.763 million

² See Questar Gas Company Utah Natural Gas Tariff PSCU 400 at 2-9.

and Utah gas supply costs of \$541.698 million for the twelve months ending May 31, 2017 (“Test Year”). (See, e.g., Division Comments at 2-3.)

Overall, for Utah customers, the 191 Account Application seeks a \$28.581 million decrease from the rates set in Docket No. 15-057-11,³ the last proceeding that addressed Questar’s 191 Account. (*Id.* at 1-2.) The proposed decrease consists of a \$22.118 million decrease in the net commodity component of rates and a \$6.463 million decrease in the SNG component of rates. (*Id.*)

2.1.1. *The 191 Account Application Seeks an Approximate \$0.21 Decrease per Decatherm in the Commodity Component of Rates.*

The 191 Account Application proposes a decrease in Questar’s commodity rate, declining from \$4.10429 per decatherm (“Dth”) to \$3.89851 per Dth. (191 Account Application at Ex. 1.6.) This commodity rate constitutes the sum of the “Base Gas Cost” rate and the “191 Amortization Rate,” as shown below:

	<u>Current Commodity Rate per Dth</u>	<u>Proposed Commodity Rate per Dth</u>
Base Gas Cost	\$4.09706	\$4.07582
191 Amortization Rate	<u>\$0.00723</u>	<u>-\$0.17731</u>
Total Commodity Rate	\$4.10429	\$3.89851

(*Id.*) The decrease in the “Base Gas Cost” rate reflects a decrease in the forecast price of natural gas during the Test Year. The decrease in the 191 Amortization Rate reflects a change in the 191 Account commodity balance from \$0.788 million (*i.e.*, a positive balance owed to Questar) in Docket No. 15-057-11 to a balance of -\$38.115 million (*i.e.*, a negative balance reflecting funds

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. 15-057-11, Order Memorializing Bench Rulings dated October 26, 2015.

owed to customers) as of March 2016. (*Id.*) To avoid unnecessary rate volatility and a fall rate increase, Questar proposes to amortize one half of the -\$38.115 million balance in this docket. (191 Account Application at 7.)

2.1.2. The 191 Account Application Seeks a \$6.463 Million Decrease in the Total Revenue to be Collected in SNG Rates During the Test Year.

Questar’s “Total SNG Costs” are the sum of the forecast SNG costs and the current 191 SNG Account Balance. In this case, the forecast SNG costs increased from \$99.479 million in Docket No. 15-057-11 to \$103.622 million, and the 191 SNG Account Balance decreased from \$15.358 million in Docket No. 15-057-11 to \$3.898 million. (*See id.* at Ex. 1.6.) Questar proposes a \$6.463 million decrease in the total SNG rates during the Test Year, which reflects the difference between the Test Year total SNG costs (i.e., \$107.520 million) and SNG costs estimated to be recovered at current rates (i.e., \$113.983 million). (*Id.* at 1.) To achieve the requested decrease, Questar proposes to change the SNG base rates and the SNG amortization rates as follows:

	<u>Current SNG Rate per Dth</u>	<u>Proposed SNG Rate per Dth</u>
GS Rate Schedule		
Summer Blocks 1 and 2 ⁴		
SNG Base Rate	\$0.51174	\$0.53715
SNG Amortization Rate	<u>\$0.07918</u>	<u>\$0.02023</u>
Total	\$0.59092	\$0.55738
Winter Blocks 1 and 2		
SNG Base Rate	\$1.08995	\$1.14407
SNG Amortization Rate	<u>\$0.16863</u>	<u>\$0.04308</u>
Total	\$1.25858	\$1.18715

⁴ The GS Block 1 rate is applicable to the first 45 Dth and Block 2 is applicable to usage greater than 45 Dth.

FS Rate Schedule

Summer Blocks 1, 2, and 3

SNG Base Rate	\$0.51174	\$0.53715
SNG Amortization Rate	<u>\$0.07918</u>	<u>\$0.02023</u>
Total	\$0.59092	\$0.55738

Winter Blocks 1, 2, and 3

SNG Base Rate	\$1.06156	\$1.11427
SNG Amortization Rate	<u>\$0.16424</u>	<u>\$0.04196</u>
Total	\$1.22580	\$1.15623

NGV Rate Schedule

SNG Base Rate	\$0.78653	\$0.82558
SNG Amortization Rate	<u>\$0.12169</u>	<u>\$0.03109</u>
Total	\$0.90822	\$0.85667

IS Rate Schedule – All Blocks

SNG Rate	\$0.17930	\$0.17925
SNG Amortization Rate	<u>not applicable</u>	<u>not applicable</u>
Total	\$0.17930	\$0.17925

(*Id.* at Ex. 1.8.)

The 191 Account Application shows a March 2016 191 SNG account balance of -\$16.102 million, which includes \$0.0362 million collected from transportation customers from the transportation imbalance charge that became effective February 1, 2016. (*Id.* at 8.) Questar notes that a normal balance for this period should be approximately -\$20.000 million. (*Id.*) Therefore, to keep the SNG account balance within its normal parameters, Questar proposes to amortize \$3.898 million (*i.e.*, the difference between the actual and expected March 2016 SNG Account Balance). (*Id.*)

2.1.3. The Division Supports the 191 Account Application, Pending its Opportunity to Conduct an Audit, and No Party Has Opposed the Application.

The Division recommends approval of the rates presented in Questar’s applications, effective June 1, 2016, on an interim basis to allow the Division to complete audits of the respective accounts. (Division Comments at 1.) The Division states the effect of the

approximately \$28.581 million revenue requirement decrease in the 191 Account Application will be to decrease the annual bill of a typical GS residential customer using 80 Dth by approximately \$21.23, or 3.03 percent. (*Id.* at 8.)

The Division explains that the primary cause of the decrease in the commodity cost is the low price of natural gas and the amortization of the over-collected balance in the 191 Account. (*Id.* at 2.) The Division notes the over-collected 191 Account commodity balance is due to actual natural gas costs in the previous period being lower than the forecast and to proceeds Questar received from its confidential settlement of a lawsuit that are factored into the 191 Account. (*Id.*) The Office appeared at hearing but has not offered comment or testimony in support or opposition to the 191 Account Application. No party filed comments or provided testimony in opposition to the application.

2.2. Docket No. 16-057-06: TIC Application

Questar's TIC Application, as corrected at hearing,⁵ proposes a 10.6 percent decrease in the recently approved daily transportation imbalance charge ("TIC")⁶ from the current \$0.08896 to \$0.07955 per Dth. (*See* Questar's Hr'g Ex. 1.3U at Page 5-8.) The TIC, applicable to transportation customers taking service under Questar's MT, TS, and FT-1 rate schedules, is assessed on these customers' daily imbalances⁷ outside of a plus or minus five percent

⁵ Questar mistakenly included the 191 Account commodity amortization rate in the weighted average cost of gas used to calculate the Clay Basin fuel gas reimbursement rate component of the TIC. During the Hearing, Questar provided corrected exhibits, including an updated worksheet supporting the calculation of the TIC and corrected tariff sheets. No party objected to the introduction of these exhibits or the corrected calculations contained in them.

⁶ Order dated November 9, 2015, *In the Matter of the Application of Questar Gas Company to Make Tariff Modifications to Charge Transportation Customers for Use of Supplier-Non-Gas Services*, Docket No. 14-057-31.

⁷ Questar Tariff, Section 5. Transportation Services, defines "Daily Imbalance" as the difference between the customer's nominated volumes, less fuel, and the actual usage on any given day.

tolerance.⁸ The decrease in the TIC appears to stem from changes in the following parameters used in its calculation: (1) a decline in the Clay Basin Fuel Gas Reimbursement rate (*i.e.*, from \$0.08194 to \$0.08152); (2) a decline in imbalanced volumes (*i.e.*, from 3,333,731 Dth to 2,783,249 Dth); (3) a decline in the total annual costs associated with the imbalance charge (*i.e.* from \$812,097 to \$676,830); and (4) a decline in the total daily imbalances that exceed the plus or minus five percent tolerance (*i.e.*, from 9,128,985 Dth to 8,508,613 Dth). (*See* Questar’s Hr’g Ex. 1.1U.) Exhibit 1.2 of the TIC Application shows the “sum of the volumes outside of tolerance” and “volumes outside of tolerance per customer” for February and March 2016 have decreased 32 percent and 45 percent, respectively, when compared with the same time periods in 2015.

The Division testified it reviewed the calculations and information Questar provided, including the updated Hearing Exhibits 1.1U and 1.3U, but it has not completed an audit of the individual entries and credits to the 191 Account. (Division Comments at 10; Hr’g Tr. at 30:22-31:2.) Therefore, the Division recommends approval of the new TIC rate on an interim basis until an audit has been completed. (Division Comments at 10; Hr’g Tr. at 33:17-19.) Noting the TIC has been in place since February 2016, the Division represents that it appears nominations have become more accurate since the TIC was imposed. (Division Comments at 10.)

3. CONCLUSIONS AND ORDER

Based on Questar’s applications, the recommendations of the Division, and the testimony and evidence presented at Hearing, the Commission finds the rates and associated tariff sheets in

⁸ *Id.*

DOCKET NOS. 16-057-05 and 16-057-06

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Docket Nos. 16-057-05 and 16-057-06 are just, reasonable and in the public interest. Therefore, Questar's 191 Account Application and its TIC Application are approved on an interim basis, pending the completion and review of the Division's audits.

The Commission therefore orders:

1. The rates and the tariff sheets proposed in Questar's 191 Account Application are approved on an interim basis as filed, effective June 1, 2016, pending final review of the Division's audit.
2. The rates and tariff sheets proposed in Questar's TIC Application, as corrected during the Hearing, are approved on an interim basis, effective June 1, 2016, pending final review of the Division's audit. Specifically, the proposed tariff sheets filed as Exhibit 1.3U on May 31, 2016 are approved and supplant the version of those sheets filed with the original TIC Application. The other tariff sheets filed with TIC Application are approved as filed on May 2, 2016.
3. Questar's unopposed Request to Refile is granted.

DATED at Salt Lake City, Utah, July 11, 2016.

/s/ Michael J. Hammer
Presiding Officer

Approved and Confirmed July 11, 2016, 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#286975

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 July 11, 2016, a true and correct copy of the foregoing was served upon the following as indicated below:

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