



State of Utah
Department of Commerce
Division of Public Utilities

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Deputy Director

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Lieutenant Governor

ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Carolyn Roll, Technical Consultant

Date: October 25, 2016

Subject: Action Request Response regarding Docket No. 16-057-11.

In the Matter of the Application of Questar Gas Company to Amortize the Demand Side Management/Energy Efficiency Deferred Account Balance.

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) authorize the proposed new rates for the Demand Side Management/Energy Efficiency Deferred Account Balance as requested by Questar Gas Company (Company) in its application, exhibits and revised exhibits as filed. The requested rate change will be on an interim basis until a complete audit can be performed by the Division.

BACKGROUND

Docket No. 16-057-11 is a request to decrease the current amortization rate of the Energy Efficiency deferred account balance. The data filed in Docket No. 16-057-15 (Utah Energy Efficiency Budget Filing) shows a slight increase in expenditures in some of the rebate programs. Based on the current balance, projected volumes and the Energy Efficiency budget, the Company believes it can collect the necessary revenue through a lower amortization rate while minimizing interest expense. A Scheduling Conference was held on October 6, 2016 at which time Docket Nos. 16-057-09 through 16-057-14 were set on the same schedule. On October 13, 2016 the Commission issued a Supplemental Action Request for Docket No. 16-057-11 requesting an explanation of a \$600,000 adjustment (cell H56) that was made on Updated Exhibit 1.3 filed on October 7, 2016. The Division requested that the Company respond to the Commission's question. The Company will be filing response to the Commission's question and corrected Exhibits 1.3 and 1.5 on October 25, 2016. Updated tariff sheets will be filed with the Company's reply comments on October 27, 2016.

The Company met with the Division and Office and verified that the Commission found an error on Exhibit 1.3U. The error and its effect on the requested amortization rate has been reviewed by the Division. The amortization rate will now be \$0.19054 per Dth. Revised Exhibits 1.3 and 1.5 will be filed by the Company with the Commission on October 25, 2016. These revisions allow the Company to collect the necessary revenue through a lower amortization rate while minimizing interest expense. The Division has preliminarily reviewed the Company's corrected data and agrees with the adjustments; as these are interim rates a more complete review will be conducted during the Division's audit of the Energy Efficiency account. This memo is the Division's response to the Commission's Supplemental Action Request.

ISSUE

The Company is proposing to decrease the current amortization level. The current 182.4 account has a balance of \$1.1 million at the end of September 2016 (this is reflected in the corrected

Exhibit 1.3U2 that the Company will file on October 25, 2016). The Company is proposing to decrease the current rate of \$0.24341 per Dth to \$0.19054 per Dth. The \$0.19054 rate is taken by dividing the projected amortization of \$19,414,229 by the test period volumes of 101,891,723. The Company will monitor the balance during the winter months where usage is higher, and will make any necessary adjustments in a spring filing.

Effect on a typical GS Customer

If the Energy Efficiency Deferred Account Balance is approved by the Commission, a typical GS rate class customer will see a decrease of \$4.26 or 0.63% in their annual bill.

DISCUSSION

In Docket No. 05-057-T01, the Commission authorized the Company to establish a deferred expense account (Account 182.4) to record the costs associated with the approved Energy Efficiency programs and Market Transformation Initiative. On May 31, 2011, the Commission approved the rates suggested in Docket No. 11-057-04, which included a three year amortization of the existing balance in that account. Due to increased activity in the weatherization program the rate was increased in Docket No. 13-057-09; the proposed amortization rate would satisfy the over budget amount in 2013 while keeping to the schedule to have the balance near zero by spring, 2014. In April, 2014 the balance in the amortization account was near zero. In Docket No. 14-057-27 the amortization rate was set at \$0.24341 per Dth and that rate was maintained in Docket No. 15-057-18. This rate allowed the Company to collect the required revenue while minimizing the interest expense. In the current filing the Company has requested a decrease to the current amortization rate. The requested rate of \$0.19054 per Dth will allow the Company to collect the required revenue while minimizing interest expense. The rate will be reviewed in spring 2017 and adjusted as needed.

The Division examined the exhibits as filed with the application and the corrected exhibits that the Company will file on October 25, 2016. Exhibits filed by the Company with its application and subsequent revisions are as follows. Exhibit 1.1 is a summary of the Energy Efficiency deferred expenses accounting entries for the period from September 2015 through August 2016. Exhibit 1.2 is a summary of the deferred Energy Efficiency related expenditures by Energy Efficiency program (page 1) and by Energy Efficiency expenditure type (page 2) since September 2015. The Energy Efficiency balance, as of the end of August 2016, is \$109,413. The projected Energy Efficiency balance for the 12 months ended September 2017 is shown in Exhibit 1.3U2 which will be filed on October 25, 2016. Exhibit 1.5U2 (to be filed October 25, 2016) shows the effect on a GS Typical Customer, which is a decrease per year of \$4.26. Revised tariff sheets will be filed by the Company with reply comments on October 27, 2016. The Division will review the tariff sheets prior to the hearing on October 31, 2016.

CONCLUSION

The Division has reviewed the filing along with Exhibits 1.1 through 1.6 and revised Exhibits 1.3U2 and 1.5U2 and agrees with the method used by the Company to request a decrease to the current amortization amount. The updated tariff sheets, to be filed on October 27, 2016, will be reviewed by the Division prior to the hearing on October 31, 2016. The Division recommends that the Commission approve the proposed rates on an interim basis until a complete audit can be performed.

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