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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Eric Orton, Technical Consultant

Date: October 25, 2016

Subject: Action Request Response regarding Docket No. 16-057-13.

In the Matter of the Application of Questar Gas Company to Change the Infrastructure Rate Adjustment

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RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Utah Public Service Commission (Commission) authorize the proposed new rates for the Infrastructure Rate Adjustment as requested by Questar Gas Company (Company) in its application and as allowed in the Company's Tariff 400 Sections §2.07. The requested rate change will be on an interim basis until a complete audit can be performed.

BACKGROUND

In this filing the Company is requesting an increase to the infrastructure replacement rate filed with the Commission on September 29, 2016. On that same date, the Commission issued an

Action Request to the Division regarding the Company's application requesting the Division to review the application and make recommendations. This memo is the Division's response to the Commission's Action Request.

ISSUE

In the general rate case order dated February 21, 2014, the Commission authorized the Company to continue the infrastructure tracker pilot program and collect the revenue requirement associated with its infrastructure plant investment. As a result, in this filing, the Company shows the amounts and dates of when infrastructure investment was closed and placed into service between the time of the last filing (ordered November 2015) and this filing (through September 30, 2016). The Company now proposes to collect the revenue requirement associated with this investment amount in rates.

DISCUSSSION

The Company's application includes five exhibits. Exhibit 1.1 provides the dollar amounts showing the infrastructure investment from November 2015 through September 2016. The last order covered through October 2015. Since that order, the Company has increased plant-in-service and retired plant resulting in a net gain of just over $49.7 (=$231.8 - $182.1) million. This represents the investment in projects that are complete with gas flowing in the pipes and includes investment in the intermediate high pressure (IHP) lines as well as high pressure lines.

Exhibit 1.1 page 7 of 7 summarizes the preceding exhibit pages and shows the calculations resulting in the incremental revenue requirement requested. Beginning with the total investment of $231.8 million and then subtracting the $84 million that is included in rates (see docket No. 13-057-05), the Company shows a balance of approximately $147.8 million of infrastructure plant in service not yet in rates. Then, once depreciation and taxes are considered, the Company is left with proposing to collect on just over $120.4 million of plant. Applying the Company's allowed pre-tax rate of return and adding in depreciation expense and taxes, the total annualized revenue requirement calculation for that plant is $17.6 million. Subtracting the effects of Bonus Depreciation (from docket No. 15-057-17) and the amount of the revenue requirement already authorized to be collected ($10.9 million), the result is that the Company is requesting an incremental increase of approximately $6.3 million (see Exhibit 1.1 page 7 of 7 line 15). This amount, in addition to what is already allowed to be collected, provides a total proposed revenue requirement of $17.2 (=$10.9 + $6.3) million.

Exhibit 1.2 shows the proposed Cost of Service Allocation of this $17.2 million. Exhibit 1.3 shows how this amount will be divided using the demand charge and volumetric rates to collect the proper amount from each customer class. The monthly change to a typical GS customer is shown in exhibit 1.4 (an annual increase of $4.94 or 0.73%) while exhibit 1.5 shows the legislative and rate schedule tariff sheets in the applicable classes. The Division reviewed the attached exhibits, sampled some of the calculations and discussed the filing with Company representatives. However, this does not constitute the Division's audit, which will be completed after the Company's 2016 books are closed.

CONCLUSION

This application appears compliant with the Commission's order and the proposed tariff sheets accurately reflect the recovery of the remaining amount invested by the Company. Therefore, the Division recommends that the Commission approve the proposed infrastructure rates on an interim basis until the Division can complete an audit, at which time it will make a final recommendation to the Commission.

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