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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF A REQUEST FOR AGENCY ACTION TO REVIEW THE CARRYING CHARGES APPLIED TO VARIOUS QUESTAR GAS COMPANY ACCOUNT BALANCES	)))))	Docket No. 14-057-32 Docket No. 16-057-T02 QUESTAR GAS COMPANY'S PROPOSED TARIFF CHANGE

Questar Gas Company (Questar Gas or Company) respectfully submits this tariff change as a resolution to an investigation into the Company's carrying charge calculation. This issue was originally discussed in the Memorandum issued by the Division of Public Utilities (Division) February 14, 2015 in the above-referenced docket. On April 29, 2015, the Public Service Commission of Utah (Commission) issued an order in Docket No. 14-057-32 approving the change in the carrying charges applied to Questar accounts 182.3, 182.4, 191.1, 191.8, 191.9 and 235.1, including the change in method for calculating the carrying charges. The Division proposed these changes and the Company and Office of Consumer Services (Office) both support the change. On May 27, 2015, in Docket 15-057-T03, Questar filed revised tariff schedules incorporating the Commission's April 29, 2015 order.

On May 29, 2015 the Commission issued an Action Request to the Division with a due date of June 12, 2015. The Division requested two due date extensions in order to investigate an "unexpected issue related to the application of an income tax adjustment to the simple interest applied within the Company's 191 accounts that the Company is proposing to extend to the other affected tariff schedules in this docket." In its June 24, Action Request Response, the Division explained that its investigation was "ongoing." On June 29, the Commission issued an order in Docket 15-057-T03, and Commission stated, "We are interested in the Division's investigation pertaining to an income tax adjustment to the simple interest applied to various balancing accounts in this docket, particularly since this issue was discussed during the April 8, 2015 hearing in Docket No. 14-057-32. We look forward to receiving the Division's results of this Questar Gas investigation."

I. BACKGROUND

In section 2.06 of the Company's Utah Natural Gas Tariff No. 400 (Tariff) includes a section entitled "Two-Way" Carrying Charge. This section explains how interest rates will be applied to the monthly balance in Account 191.1. Specifically, this section explains that the balance will be adjusted for the corresponding tax deferral balance in Account 283. As part of its investigation, the Division sought to understand when and why this tax deferral language was included in the Company's Tariff.

This language first appeared in the tariff in Docket 82-057-16. In that docket, the Company filed a comprehensive restructuring of its existing Tariff No. 100, to be implemented under a new Tariff No. 200. That tariff filing was made December 31st, 1982. The resulting tariff was approved on May 23, 1983. The Company reviewed the archived documents in this docket and could not find an explanation or discussion about the tax deferral language.

Because the change occurred in 1983, there is a limited amount of institutional knowledge left in the Company about this subject. Nevertheless, based on discussions with the Company's finance staff employees, the Division and Company have been able to gain a general understanding of why this tax deferral language was included in the tariff in 1983. Each time there is an under collection in the 191 account, it represents a difference between what was paid by the Company and what was collected by customers. For example, if the Company has paid $100 million for gas costs and has only collected $90 million, there would be a $10 million under collection. For tax purposes, the Company would be able to include $100 million in tax expense, while for financial purposes, only $90 million would be included. This timing difference would result in an income tax liability, which would be included in the 283 account. This income tax timing difference results in a cash flow benefit to the Company. Normally, the cash flow benefit from deferred income taxes would be included as a reduction to rate base in a general rate case. For example, the cash flow difference that comes from depreciation expense timing differences are included in the 282 account as a reduction to rate base in General Rate Case proceedings. The 283 account is not included in rate case proceedings because the 191 account is made up of costs that are not included in distribution non gas rates. However, a cash flow benefit still exists. When an under collection in the 191 account occurs, customers are charged interest on this under collection. While no written documentation can be found on this subject, the institutional knowledge of Company personnel suggests that in an effort to pass the cash flow timing benefit to customers, interested parties agreed that the interest rate charged to customers would be reduced by the income tax rate. So for example, if the interest rate was 6%, customers would pay 3.7% (6% less 6% multiplied by .38). This way, customers would receive the cash flow benefit without including the 283 account in general rate cases. The Company believes that is why this language was adopted in Docket 82-057-16 and it has remained in the tariff since that time.

In 2006, in Docket 05-057-T01, the Commission approved the Conservation Enabling tariff and the Demand Side Management deferred account. Under collections in these accounts also create deferred tax balances in the 283 account. Sections 2.08 “Conservation Enabling Tariff” and 2.09 “Thermwise Energy Efficiency” both include the language that the carrying charge will be adjusted for the corresponding tax deferral balance in 283.

II. DISCUSSION

In this docket The Division identified six balancing accounts (Energy Efficiency, Pipeline and Distribution Integrity, Pass-Through Costs, Customer Deposits, Conservation Enabling Tariff, Energy Assistance Balancing account) and one charge (Extension Area Charge). The purpose of the investigation was to understand the adjustment for deferred taxes and which balancing accounts should apply the adjustment. The Company includes the 282 account in rate base. The 283 account is excluded from rate base because the deferred taxes in this account arise from accounts that are not related to distribution base rates. The table below summarizes the six accounts, their accounting treatment and their current tariff language:

Account	Deferred Tax Treatment	Tariff Language
Pass Through 191	Included in 283	Interest rate adjusted for deferred taxes
Conservation Enabling Tariff	Included in 283	Interest rate adjusted for deferred taxes
Energy Efficiency	Included in 283	Interest rate adjusted for deferred taxes
Energy Assistance	Included in 283	Interest rate not adjusted for deferred taxes
Pipeline Integrity	Included in 282	No adjustment for deferred taxes
Customer Deposits	Included in 282	No adjustment for deferred taxes

As the table shows, for the accounts that have deferred income tax amounts included in account 283, the Tariff language includes an adjustment in all cases except energy assistance. Through discussions the Company and Division agree that in order to be consistent, all accounts included in the 283 account should have the carrying charge adjusted for deferred taxes. In order to maintain this consistency, the Company is including revised Tariff sheets for Section 8.03 subsection “Energy Assistance.” The approval of this Tariff sheet will create consistency between the tariffs and all of the balancing accounts.

III. CONCLUSION

The Company requests that the Commission approve the proposed Tariff with an effective date of April 1, 2016.

DATED this 10th day of February, 2016.

Respectfully submitted,

QUESTAR GAS COMPANY

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served upon the following by electronic mail on February 10, 2016:

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