- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of QUES- TAR GAS COMPANY for Approval of an Extension Area Charge for Brian Head, Utah	)))	DOCKET NO. 99-057-09 REPORT AND ORDER

ISSUED: July 12, 1999

SYNOPSIS

Pursuant to House Bill 180, enacted by the 1998 Utah Legislature, Applicant sought approval for an Extension Area Charge for Brian Head, Utah. The Commission having found that the Application complies with the applicable law, the Commission approved the Application

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Appearances:

Jonathan M. Duke	For	Questar Gas Company

By the Commission:

PROCEDURAL HISTORY

On June 17, 1999, Questar Gas Company, Applicant herein, pursuant to the terms of House Bill 180, enacted by the Utah Legislature, applied for approval of an Extended Area Charge ("EAC") for Brian Head, Utah. The matter was referred to the Division of Public Utilities, Utah Department of Commerce ("DPU") for review and recommendation. On July 1, 1999, DPU filed its recommendation for approval. Since the matter has neither engendered opposition, nor appears likely to do so, and any further proceedings are not likely to aid the Commission in its disposition of the matter, we have determined to dispose of it summarily. The Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed findings of fact, conclusions of law, and the Order based thereon.

FINDINGS OF FACT

The application alleges, and we find as follows:

1. Questar Gas, a Utah corporation, is a public utility engaged in the distribution of natural gas to customers in the states of Utah, Wyoming and Idaho. Its Utah public utility activities are regulated by the Commission and conducted in accordance with Title 54 of Utah Code Annotated and Tariff PSC Utah No. 300, which tariff this Commission has approved. A copy of the Company's Articles of Incorporation are on file with the Commission.

2. Questar Gas' projected costs of constructing a natural gas transmission line and distribution facilities required to bring natural gas to Brian Head are approximately $2,663,000. Under § 8.03 of the Questar Gas Utah Tariff Extension Area Tariff using GS-1 rates, this project would require an up-front non-refundable payment of $1,981,000, which would be prohibitively expensive for customers of Brian Head. Under the normal expansion policies, this would result in a monthly EAC of about $51 per month.

3. To bring natural gas service to Brian Head, Questar Gas would construct approximately 12.1 miles of high pressure steel line. The line would connect to the termination of existing feeder line No. 68 in Parowan, Utah and would proceed

up the Parowan Canyon into Brian Head. A distribution system would be constructed in Brian Head to deliver natural gas to customers.

4. The residents and businesses in Brian Head as a whole have expressed the desire that Questar Gas bring natural gas to their community. After discussing project costs with elected officials from Brian Head, Questar Gas canvassed prospective customers in Brian Head in the Spring of 1999. Prospective customers include 76 single-family residential customers and 17 commercial customers. Sixty five of the residential customers and 16 of the commercial customers have signed up for gas service. There are also 20 condominium developments with about 1064 units. Seventeen of the condominium homeowner associations have signed up for gas service for common use areas such as pools, clubhouses, offices and laundry facilities. Five of the 17 condominium projects with 488 units will extend gas service to the entire project and have been treated as commercial customers, bringing the total commercial customers to 21 that have signed for gas service.

5. In the remaining 12 condominium units that have signed for gas, the individual condominium owners will be electing whether or not gas service will be extended to each unit. Of these units, gas service is feasible for 288 of the 576 units. Based on communications with homeowner's associations and past experience, the Company expects that 230 of the 288 units will elect gas service. For purposes of the EAC analysis, the 288 have been treated as residential customers. Including the condominium units in the previously identified commercial and residential categories results in 81% of the residential customers who can contract for gas and 84% of potential commercial customers desiring to receive natural gas service. Those that have signed up for gas have agreed to pay a $30 monthly EAC in conjunction with GS-1 rates. Based on its previous experience in expansion areas, and on the level of support offered by Brian Head officials, the Company expects additional customers to sign for service as the system is constructed.

6. Questar Gas' economic analysis to serve Brian Head is based on the same methodology that was used in the Panguitch and Cedar Fort expansion area filings, Docket No. 98-057-02 and 99-057-02, respectively. Service was extended to Panguitch and Cedar Fort following House Bill 180 guidelines and provisions.

7. To facilitate bringing natural gas to Brian Head, Questar Gas proposes adding Brian Head to the EAC provision in Tariff § 8.03.

8. For Brian Head, the Company proposes a monthly EAC of $30.00 for both residential customers and commercial customers; with an additional $2.7481 per decatherm charge for commercial customers for the decatherm usage above 45 in a month. These charges are projected to apply for 15 years. This would recoup, on a present value basis, approximately $1,177,000. Periodically, the present value of the actual EAC collected will be compared with $1,177,000. When the present value of the EAC collected equals $1,177,000, the Company will no longer collect the EAC for Brian Head.

9. The proposed EAC for Brian Head, under House Bill 180, is not designed to recover the entire costs of extending service to this area. The Company will bear all shortfalls in cost recovery until the Company's next general rate case, when the ongoing recovery of such costs would then be included when establishing rates for all customers.

10. DPU recommends approval of the application

DISCUSSION

House Bill 180[(1)] provides for Commission approval of an application to extend natural gas service to previously unserved municipalities if the following requirements are met: (a the extension of service cannot be economically provided under existing tariff provisions for extension of services; (b the charges to customers in the extension areas will not be less than the charges to customers in areas where service has been extended under existing tariff provisions on a per-customer basis; and (c any application, together with any increases that could result from previously approved applications, does not result in an incremental increase in annual rates and charges to existing customers of more than 1/5% as measured by rates in effect on July 1, 1998.

We will discuss these three desiderata in the same order:

a) The extension of service cannot be economically provided under existing tariff provisions for extension of services

Based on the minimum system costs to serve Brian Head, the expected customer sign up and other customer assumptions, Questar Gas determined that an up-front payment of $1,981,000 would be required. This up-front payment could be satisfied with a monthly EAC, charged in conjunction with GS-1 rates, of about $51 (or $612 on an annual basis) for residential customers. Charging either an up-front payment or a monthly EAC of this amount would make natural gas service uneconomical for customers in Brian Head. However, Questar Gas has determined that a monthly $30.00 EAC ($360 on an annual basis) assessed in conjunction with GS-1 rates would be economical for these customers.

b) The charges to customers in the extension areas will not be less than the charges to customers in areas where service has been extended under existing tariff provisions on a per-customer basis.

The Company's prior applications for extension of service using an EAC with GS-1 rates were Ogden Valley at $27.50 per customer, New Harmony at $25.14 per customer, Panguitch at $30.00 per customer, Oak City at $20.00 per customer, Joseph and Sevier at $20.00 per customer, Fayette at $28.00 per customer and Cedar Fort at $30.00 per customer. The proposed $30.00 EAC for Brian Head customers in conjunction with GS-1 rates results in per customer charges that are greater than all but the Panguitch and Cedar Fort areas which also were established under the House Bill 180 guidelines. Customers in Brian Head will also pay more for gas service than customers who are served on GSS rates.

c) Any application, together with any increases that could result from previously approved applications, does not result in an incremental increase in annual rates and charges to existing customers of more than 1/5% (or .20%) as measured by rates in effect on July 1, 1998.

The total non-refundable payment that would be required to bring natural gas to Brian Head using GS-1 rates is $1,981,000. The difference between the non-refundable payment of $1,981,000 and the present value of the projected EAC revenues of $1,177,000 is $804,000. The potential impact on the typical residential customer could be approximately $0.09 per. This amount represents approximately 0.02% of an incremental increase in annual rates and charges to existing customers, based on current rates, as shown on Exhibit D, line 14. This $0.09 per year coupled with the possible $0.32 per year associated with the Panguitch extension that was previously approved in Docket No. 98-057-02 and the possible $0.05 associated with the proposed expansion into Cedar Fort brings the total possible incremental increase in annual rates and charges to existing customers to just $0.46, well below the $1.10 maximum allowed by H.B. 180. As with the Panguitch and Cedar Fort expansions, this is a measure of the potential impact on other customers. Until Questar Gas' next general rate case, there will be no impact on other customers' bills.

CONCLUSIONS OF LAW

The Application complies with the terms of House Bill 180 and should be approved.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

The Application be, and it is, approved effective the date of this Order, and Applicant is authorized to publish implementing tariff changes on one day's notice.

Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 12th day of July, 1999.

/s/ A. Robert Thurman
Administrative Law Judge

Approved and Confirmed this 12th day of July, 1999, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

1. House Bill 180, 1998 General Session, State of Utah, amends Utah Code Ann. §§ 54-3-8 and 54-4-8 (1994) and § 63-55-254 (1997). Since the bill passed both the House and the Senate by more than a two-thirds majority, it became effective on March 21, 1998, when it was signed by Governor Leavitt.