

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL

DATE: MARCH 25, 2016

SUBJECT: RENEWAL OF THE COMMISSION'S REGULATORY CONTRACT WITH
THE UTAH PUBLIC SERVICE COMMISSION REGARDING QUESTAR GAS,
CASE NO. QST-G-16-01

In August 1990 the Commission issued Order No. 23282 granting a Certificate of Public Convenience and Necessity to Questar Gas Company's predecessor, Mountain Fuel Supply Company. The Commission's Certificate authorized Questar to serve customers in Franklin County with natural gas utility services. Order No. 23282 also approved "a regulatory service contract" with the Utah Public Service Commission pursuant to *Idaho Code* § 61-505. This section allows the Idaho Commission "to contract with regulatory agencies of neighboring states . . . [to] set rates and charges for customers in Idaho located in or nearby border communities served by utilities principally located in" neighboring states. The Idaho Commission found in its Order approving the contract:

that the provision of utility service to small border communities by a willing out-of-state utility can be facilitated by entering into a regulatory service contract with a regulatory agency of the neighboring state in which the utility has greater presence. Such contracts reduce the regulatory costs to the utility and enhance the expansion of [utility] service across state boundaries.

Order No. 23282 at 3.

On March 3, 2016, Questar filed a "Notice of Agreement and Plan of Merger" between itself and Dominion Resources, Inc. dated January 31, 2016. In its Notice, the parties assert that Dominion Resources will acquire Questar Corporation and change the name of the utility serving Idaho to Dominion Questar Gas. The gas utility "will continue its tradition of providing safe and reliable service at reasonable costs to its customers in Utah, Idaho and Wyoming. Regulation of Questar Gas will not be affected by the Merger." Transmittal Letter at 1-2. Given the pending transaction between Dominion and Questar, Staff believes there is a need to update the 1990 regulatory contract between the Utah and Idaho Commissions. Earlier this month the Idaho Staff submitted an

updated draft regulatory contract for review by the Utah Commission. The Utah Commission opened a docket inviting public comment on the proposed contract on March 11, 2016. No comments were filed in the Utah docket and the President of the Utah Commission executed the contract and returned it on March 23, 2016.

UPDATED CONTRACT

Attached for your review is the updated regulatory contract between the two Commissions. The updated contract removes all references to “Mountain Fuel Supply Company”; updates citations concerning references to the Idaho Commission’s winter moratorium Rule 306, IDAPA 31.21.01.306, and provides that the contract shall be renewed automatically each year on April 1 subject to termination by either party upon written notice. The new contract also deleted a provision regarding the sharing of Idaho regulatory fees for Questar. Staff recommended deleted this clause because the Idaho Commission Staff currently performs natural gas safety inspections for Questar – authority that Idaho did not exercise when the regulatory contract was first initiated in 1990. The attached contract makes other minor changes regarding notice provisions and other formatting changes.

STAFF RECOMMENDATION

Staff recommends that the Commission make the necessary finding (below from 61-505(3)) and execute the updated regulatory contract. If signed a copy of the executed contract will be forwarded to the Utah Commission for its records.

COMMISSION DECISION

Does the Commission find:

1. The continued provision of utility service by Questar is in the public interest;
2. It is impractical or not in the public interest for the Idaho Commission to regulate the utility principally-located in a neighboring state;
3. That Idaho affected residents have full right of participation before the Utah Public Service Commission and exercise the same rights as customers in Utah; and
4. The rates, charges and services regulation for Idaho customers are not less favorable than those in Utah. Does the Commission approve the attached regulatory contract?



Don Howell
Deputy Attorney General

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CONTRACT FOR REGULATORY SERVICES

This contract is entered into by and between the IDAHO PUBLIC UTILITIES COMMISSION (hereinafter IPUC), whose principal office is located at 472 West Washington Street, Boise, Idaho 83702-5918, telephone (208) 334-0300, and the UTAH PUBLIC SERVICE COMMISSION (hereinafter UPSC), whose principal office is located at 160 East 300 South, Salt Lake City, Utah 84111, telephone (801) 530-6716.

WHEREAS, IPUC has the power and authority pursuant to *Idaho Code* § 61-505(2) to “contract with the regulatory agencies of neighboring states to . . . set rates and charges for customers in Idaho located in or near border communities served by utilities principally located in” located in neighboring states, and,

WHEREAS, Questar Gas Company, whose principal office is located at 180 East First South, PO Box 11368, Salt Lake City, Utah 84139, serves natural gas customers in Utah, Wyoming, and Idaho, and,

WHEREAS, Questar Gas is a public utility regulated by UPSC, and,

WHEREAS, IPUC has found that the provision of utility service to customers in Franklin County by Questar Gas is in the public interest and has issued Certificate of Public Convenience and Necessity No. 315 to Questar Gas, and,

WHEREAS, the IPUC and UPSC previously entered into a contract for regulatory services dated August 1990, and,

WHEREAS, the IPUC shall maintain its pipeline safety supervision over Questar Gas’s facilities located in Idaho, and,

WHEREAS, IPUC has found that it is impractical or not in the public interest to conduct regulatory proceedings for affected Idaho residents separate from the proceedings conducted by UPSC for Questar Gas’s Utah ratepayers, and,

WHEREAS, Questar Gas’s parent (Questar Corporation) and Dominion Resources, Inc., have entered into an Agreement and Plan of Merger dated January 31, 2016, by which (if approved) Questar Corporation will become a wholly owned subsidiary of Dominion and Questar Gas will subsequently be known as Dominion Questar Gas.

WITNESSETH:

1. Scope. The IPUC and UPSC hereby contract and agree that the rates, charges and service regulations adopted by UPSC for Questar Gas in Utah shall be applied to similarly situated customers served by Questar Gas in Idaho and that the findings, decisions and orders of the UPSC are presumptively correct and will take effect according to the terms of the order of the UPSC, with review as provided by *Idaho Code* § 61-505(4). Idaho residents who receive utility service from Questar Gas will be accorded full rights of representation and participation in the hearings conducted by UPSC concerning Questar Gas as well as the same rights that Utah customers have to pursue service-related issues. The rates, charges and service regulations for Idaho customers will not be less favorable than those of similarly situated Utah customers.

2. Winter Moratorium. It is further agreed that Idaho customers of Questar Gas will be subject to Rule 306 of the IPUC Customer Relations Rules for Gas, Electric and Water Public Utilities, IDAPA 31.21.01.306, for purposes of disconnection of natural gas service during the winter months of December through February.

3. Revenue, Expenses, Service. UPSC agrees to include the revenue, investment and expenses of Questar Gas's Idaho service territory in its calculation of rates and charges for Questar Gas. UPSC agrees to place the IPUC on its service lists for any cases involving Questar Gas so that IPUC may receive all orders, notices, etc. that are issued in cases that involve Questar Gas.

4. Toll-Free Number. UPSC agrees to provide toll-free telephone access to Idaho customers of Questar Gas to contact the UPSC.

5. Term and Renewal. It is the intent of IPUC and UPSC that this contract have an initial term of one (1) full calendar year from April 1, 2016, and shall be renewed automatically for additional one (1) year terms, subject to the Termination provision below.

6. Termination. Either party may provide written notice of termination of this contract prior to the expiration of the initial term or each one (1) year renewal term. This contract may be discontinued and terminated pursuant to the applicable laws of either Idaho or Utah.

7. IPUC Review. IPUC may review this contract or rates applied to Idaho residents pursuant to this contract upon petition of Idaho customers of Questar Gas upon the conditions provided by *Idaho Code* § 61-505(4), namely: a showing that all remedies with the UPSC have been exhausted, that all remedies with Questar Gas have been exhausted and that Idaho

customers have been discriminatorily, preferentially or otherwise unlawfully treated by the UPSC.

8. Written Notice. Any notice given in connection with this contract shall be in writing and shall be delivered either by hand to the other party, by certified mail, postage prepaid, return receipt requested, to the addressee provided below or by facsimile transmission to the other party at the facsimile number below. Notice shall be deemed delivered immediately upon personal service or facsimile transmission or forty-eight (48) hours after depositing notice or demand in the United States mail. Either party may change its address by giving written notice of the change to the other party.

TO:

Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074
Telephone: (208) 334-0338
FAX: (208) 334-3762
ATTN: Commission Secretary

TO:

Utah Public Service Commission
160 East 300 South
Salt Lake City, UT 84111
Telephone: (801) 530-6716
FAX: (801) 530-6796
ATTN: Commission Secretary

Street Address for Express Mail:
472 W. Washington Street
Boise, ID 83702-5918

9. Headings. The headings have been inserted for convenience solely and are not to be considered when interpreting the provisions of this contract.

10. Counterparts. This contract may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

12. Sovereign Immunity. Nothing in this contract shall be construed as a waiver of Idaho's or Utah's sovereign immunity, which immunity is hereby expressly reserved.

DATED this day of March 2016.

IDAHO PUBLIC UTILITIES COMMISSION
By

Paul Kjellander, President

UTAH PUBLIC SERVICE COMMISSION
By



Thad LeVar, Chairman

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