Jonathan M. Duke (USB 6382)
Questar Corporation
180 East First South Street
PO Box 45360
Salt Lake City, Utah 84145
Phone: (801)324-5938

Gary G. Sackett (USB 2841)
JONES, WALDO, HOLBROOK & MCDONOUGH, P.C.
170 South Main, Suite 1500
PO Box 45444
Salt Lake City, Utah 84145
Phone: (801)534-7336

Attorneys for Questar Gas Company

Submitted: October 16, 2002

— BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH —

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR A GENERAL INCREASE IN RATES AND CHARGES	)))))))	Docket No. 02-057-02 **ALLOCATION AND RATE-DESIGN STIPULATION AND SETTLEMENT**

Pursuant to Utah Administrative Code § R746-100-10.F.5 (2002) and Utah Code Ann. §§ 54-4-1 and 54-4-4 (2000), the undersigned parties (collectively, "the Parties") submit this Stipulation and Settlement in resolution and settlement of the allocation, rate-design and related issues in this docket.

PROCEDURAL HISTORY

A. On May 3, 2002, Questar Gas Company (QGC) filed an application and direct testimony with the Public Service Commission of Utah seeking an increase in its Utah rates in the annual amount of $23,017,000. This application contained QGC's recommendations regarding allocation of its revenue requirement among rate classes and recommended rate designs for all customer classes.

B. On May 16, 2002, the Commission held a scheduling conference at which the Parties agreed to a procedural schedule that was approved by the Commission's May 21, 2002, Scheduling Order.

C. On August 30, 2002, the Parties submitted direct testimony and exhibits in response to QGC's direct case. Rebuttal testimony was submitted on October 4, 2002, and surrebuttal testimony was submitted on October 11 and 15, 2002.

D. The Parties have entered into confidential settlement discussions during the pendency of this case and have reached a unanimous resolution of the issues addressed herein.

E. In settlement of the allocation and rate-design issues in this case, the Parties submit the terms and conditions of this Stipulation and Settlement for the Commission's approval and order.

STIPULATION AND SETTLEMENT

1. The Parties agree that several of the issues raised by various Parties be the subject of further study and consideration by a collaborative task force. The Parties request that the Commission direct in its final order in this docket that the task force engage in a study over the first six months of 2003 regarding the various issues outlined in this paragraph 1 and attempt to reach accord and resolution of these issues for consideration in subsequent regulatory proceedings. QGC agrees to provide information and data reasonably requested by task force participants subject, when appropriate, to confidentiality agreements pursuant to a protective order to be prepared and submitted for

Commission approval by QGC. Specifically, the Parties agree generally to study QGC's rate-design and allocation methodologies including, but not limited to:

(a) A class cost-of-service study, including allocation factors.

(b) The value of peaking gas available from IT customers during periods of interruption, for consideration in the class cost-of-service methodologies for allocation and rate-design purposes.

(c) Separation of the residential and commercial customers in the GS-1 class into separate classes.

(d) Modification of the GS-1 rate design.

(e) The amount of the basic service fee.

(f) Qualification for and design of the FT-1 rate schedule.

(g) Transportation rate design, including transportation service for smaller customers.

(h) The amount and applicability of administrative fees, criteria for qualification and demand charges for transportation service.

(i) The DNG summer/winter rate differential and issues related to SNG and commodity rate design.

(j) Possible "green tag" compliance incentives.

2. Additionally, the Parties have agreed to study separately the possible development of a tracker mechanism for usage per customer.

3. Contributions in aid of construction (CIAC) shall be accounted for as a reduction to rate base rather than as revenue (as has been done in the past).

4. The Parties agree to the main-extension and service-line extension revisions described in QGC Exhibits 5.0 and 5.3, including tariff provisions eliminating the new-premises fee, except as otherwise described in paragraph 5.

5. The average CIAC required of new residential customers will be increased by $250. This results in a $645 allowance for main extensions and a $505 allowance for residential service-line extensions.

6. The language "in the Company's judgment" currently included in Sections 9.01 and 9.02 of QGC's Tariff PSCU 300 regarding excess construction costs shall be deleted.

7. Default payments received from main-extension and service-line extension contracts shall be accounted for as reductions to rate base, and interest associated with these payments shall be accounted for as interest income consistent with Generally Accepted Accounting Principles.

8. The allocation of all remaining CO_2 expenses approved in Docket No. 99-057-20 shall be in accordance with the method adopted by the Commission in Docket No. 99-057-20. CO_2 processing costs that the Commission authorized for recovery in Docket No. 01-057-14 shall be allocated to transportation customers using the same method.

9. QGC shall commence collecting all remaining CO_2 processing costs as approved in Docket Nos. 01-057-14 and 98-057-12 through the provisions of § 2.12 of the QGC Tariff, as modified in Settlement Exhibit 2. The tariff language has been modified to provide for the limited applicability to track the portion of the CO_2 processing costs collected from transportation customers.

10. For purposes of this docket, and pending analysis of the task force, the annual administrative charge for rate schedules FT, FT-2, IT and IT-S will be reduced from

$8,000 to $6,800 for the first end-use site and from $3,000 to $2,550 for additional end-use sites. Revenues previously associated with the higher administrative charges will be collected across all block rates for these rate schedules. As a temporary classification provision to the FT, FT-2, IT and IT-S rate schedules, migration to these schedules by firm sales customers shall be prohibited subject to case-by-case determination by the Commission.

11. If QGC proposes to continue charging for CO_2 processing expenses after the charges in accordance with the stipulated amount in Docket No. 99-057-20 are reached, ($25 million), QGC shall treat the proposed charges for additional CO_2 processing as a first-time inclusion of material costs included in Account 813, and it shall provide the 60 days' required in § 2.12 of QGC's Tariff.

12. For purposes of this docket, the Parties agree generally to utilize the Company's cost-of-service study for setting rates as modified by this Stipulation and Settlement. The Parties also agree to adjust the methodology shown in Exhibits QGC 5.7 and QGC 5.7R, with results as illustrated in Settlement Exhibit 3. The adjustments shown in Settlement Exhibit 3 correct Exhibits QGC 5.7 and 5.7R for the treatment of CO_2 processing costs, incorporate the use of an updated allocation factor 6, and incorporate a limitation on the increase to any class of 200% of the average system increase. Settlement Exhibit 3 illustrates the methodology used to mitigate and reassign the increase to classes that otherwise would have exceeded the 200% limitation.

13. QGC shall perform a depreciation study within one year for consideration in future regulatory proceedings.

14. The current Category I meter-based customer charge of $5.00 shall be maintained. Category II, III and IV customer charges will be adjusted to reflect the authorized overall rate of return in this case. The meter-based customer charge shall be renamed the "Basic Service Fee."

15. The Parties either support or do not oppose the proposed increase from $250,000 to $500,000 in low-income weatherization assistance as proposed by witnesses Fox, Wolf and Johnson. Positions may be stated by counsel for each of the Parties at the hearing.

GENERAL TERMS AND CONDITIONS

16. This Stipulation and Settlement addresses and resolves among the signatories all of the contested issues involving rate design and allocation.

17. The Parties agree to waive cross-examination on allocation and rate design issues addressed in the written testimony submitted by the Parties in this case. Accordingly, the Parties request that witnesses whose testimony addresses these issues be excused from appearing at the hearings scheduled to begin October 17, 2002.

18. All negotiations related to this Stipulation and Settlement are privileged, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation and Settlement nor the order adopting it shall be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party. The Parties believe that settlement of these issues through

this Stipulation and Settlement is in the public interest and that the rates, terms and conditions it provides for regarding the issues set forth above are just and reasonable.

19. QGC, the Division, and the Committee will, and other Parties may, present testimony of one or more witnesses to explain and support this Stipulation and Settlement before the Commission. These witnesses will be subject to examination.

20. This Stipulation and Settlement is an integrated whole, and any Party may withdraw from it if it is not approved in its entirety by the Commission. Should the Commission reject any part of the Stipulation and Settlement, any Party that withdraws its support of it retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to such issues as it withdraws from.

21. The Stipulation and Settlement shall take effect on the date of the Commission's order approving it and shall remain in effect until the date of a superseding Commission order.

//

//

//

//

//

//

//

IN WITNESS WHEREOF, The Parties have executed this Stipulation and Settlement as of this ___ day of October 2002.

Questar Gas Company

____
Jonathan M. Duke
Questar Corporation

Gary G. Sackett
Jones, Waldo, Holbrook & McDonough

Committee of Consumer Services
____
Reed T. Warnick
Assistant Attorney General

Industrial Gas Users Group

____
William J. Evans

Crossroads Urban Center

____
Glenn Bailey

Utah Legislative Watch

____
Charles E. Johnson

Division of Public Utilities

____
Michael Ginsberg
Assistant Attorney General

UAE Intervention Group

____
Gary A. Dodge

United States Executive Agencies

____
Captain Robert C. Cottrell, Jr.

Salt Lake Community Action Program

____
Catherine C. Hoskins