APPLICATION OF QUESTAR)
GAS COMPANY TO ADJUST) Docket No. 06-057-01
RATES FOR NATURAL GAS) AMENDED
SERVICE IN UTAH) APPLICATION

All communications with respect to
these documents should be served upon:

C. Scott Brown (4802)
Colleen Larkin Bell (5253)
Attorneys for the Applicant

180 E. 100 South
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

Draft #1 1-26-06 JEK
Draft #2 1-27-06 BLM, AKA

APPLICATION
AND
EXHIBITS

January 27, 2006

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF QUESTAR	)	
GAS COMPANY TO ADJUST	)	Docket No. 06-057-01
RATES FOR NATURAL GAS	)	AMENDED
SERVICE IN UTAH	)	APPLICATION

Questar Gas Company (Questar Gas or the Company) respectfully submits to the Utah Public Service Commission (Commission) for approval of this amended out-of-period application for an adjustment to the commodity and supplier non-gas cost portions of its Utah natural gas rates.

The Company's Tariff No. 400, Section 2.10, provides for pass-through applications to be filed "no less frequently than semi-annually." On January 26, 2006, two days following the Company's original filing of this application, the Company received Global Insights' January 2006 forecast of purchased gas prices. This updated forecast projects a significant decrease in gas prices in the Rocky Mountain region. Global Insights is a national economic forecasting firm. Questar Gas has consistently used Global Insights' forecast of Rocky Mountain natural gas prices to establish pass-through purchased gas costs. Global Insights updates this forecast monthly. At times, the updates have changed the forecast enough to warrant amending the pass-through filing to reflect more current information, as was done most recently in Docket No. 05-057-11.

This pass-through application reflects Utah gas costs of $765,928,492. This represents a decrease of $93,731,000, which includes a decrease of $93,030,000 in the commodity rates, and a decrease of $701,000 in the supplier non-gas (SNG) portion of rates. Included in these gas costs are the processing costs approved by this Commission on January 6, 2006, in its report and order in Dockets 04-057-04, 04-057-09, 04-057-11, 04-057-13 and 05-057-11 (Gas Management Case). This application also includes the cost allocation to various rate classes of the processing costs as ordered by the Commission.

If the Commission grants this application, the typical residential customer using 115 decatherms per year will see a decrease in their average monthly bill of $8.67 (or 8.08%). The Company proposes to implement this request by charging the new rates effective February 1, 2006.

In support of this application, Questar Gas states:

1. Questar Gas' Operations. Questar Gas, a Utah corporation, is a public utility engaged in the distribution of natural gas primarily to customers in the states of Utah and Wyoming. Its Utah public utility activities are regulated by the Commission, and the Company's present rates, charges, and general conditions for natural gas service in Utah are set forth in Questar Gas' PSC Utah Tariff No. 400. Copies of the Company's Articles of Incorporation are on file with the Commission. In addition, the Company serves customers in the Preston, Idaho area. Under the terms of agreement between the Commission and the Idaho Public Utilities Commission, the rates for these Idaho customers are determined by the Utah Commission. Volumes for these customers have been included in the Utah volumes.

2. Applicable Statutes. The Commission may grant relief requested in this case pursuant to Utah Code Ann. § 54-4-1 (2000) and to the extent applicable § 54-7-12 (2004).

3. Tariff Provision. The Commission has authorized Questar Gas to implement Account No. 191 of the Uniform System of Accounts to balance its gas costs with revenues. This filing is made under §2.10 of Questar Gas' PSC Utah Tariff No. 400, pages 2-11 thru 2-17, which sets forth procedures for recovering gas costs shown in Account No. 191 by means of periodic and special adjustments to rates and an annual amortization of that account.

4. Test Year. The test year for this application is based on expected sales, purchases, transportation, gathering, storage and royalties for the 12 months ending January 31, 2007.

5. Cost of Questar Gas Production. Revised Exhibit 1.1 shows the expected test-year costs for gas produced for Questar Gas by Wexpro Company (Wexpro) under Articles II and III of the Wexpro Agreement. System-wide, total costs for Questar Gas' production are expected to be $231,033,477, as shown in Revised Exhibit 1.1, page 14. These costs are comprised of the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make system-wide royalty payments of $77,039,763 on Company-owned gas produced by Wexpro. These royalty payments are based on projected volumes for the test year and the Global Insight (formerly DRI-WEFA) January 2006 price forecast for the test year.

(b) Operator Service Fee. Questar Gas is obligated to pay Wexpro an operator service fee for operating Questar Gas wells. The operator service fee for gas produced from productive gas wells for Questar Gas by Wexpro and the costs of gas purchased from Wexpro oil wells is expected to be $153,993,714 system wide.

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to total $493,291,406 as shown in Revised Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $9.07050/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, amendments to cap prices for price stability, and Global Insight's January 2006 price forecast for the test year. These costs are comprised of the following elements:

(a) Questar Gas currently expects to purchase 21,952,900 Dths under existing contracts at a total cost of $173,774,253 shown in Revised Exhibit 1.2, line 3. Included in these costs, in accordance with the Stipulation the Commission approved in Docket Nos. 00-057-08 and 00-057-10, is $2,000,000 associated with projected amendments to establish capped prices in the upcoming test year. For this year's heating season, the Company anticipates entering into contracts or amendments to fix prices for about one-third of the gas purchased for the period from October 2006 – March 2007. Another one-third of gas purchases for the period from October 2006 - March 2007 will remain priced at first-of-month index prices along with all of the gas purchased for the remaining test year. The Company is considering entering into purchase contracts with a cap for another one-third of the gas purchased for the same period. However, at this time market conditions for price caps are not favorable. If price caps are not used, attempts will be made to purchase more gas under fixed price contracts.

(b) Also, Questar Gas expects to contract in the future for an additional 28,513,252 Dths at a total estimated cost of $288,456,371 as shown on Revised Exhibit 1.2, line 5.

(c) In addition to current and future contracts, Questar Gas anticipates buying 3,917,985 Dths on the spot market at a total estimated cost of $31,060,782. (Revised Exhibit 1.2, line 4.)

7. Transportation, Gathering and Processing Charges. Questar Gas incurs system-wide charges for transportation and gathering services for delivery of gas to its system. These costs are calculated to be $85,230,959, as shown in Revised Exhibit 1.3, page 1, line 24. The transportation (as well as storage) costs are based on upstream pipelines' rates. These costs are comprised of the following elements:

(a) Questar Pipeline and Kern River Demand Rates. Annual transportation demand charges to transport produced and purchased gas are calculated to be $62,657,298 system wide. (Revised Exhibit 1.3, page 1, line 9.)

Also included is a projected capacity release credit of $1,995,206. (Revised Exhibit 1.3, page 1, line 4.)

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this case reflect the level of Company-owned production and purchased-contract gas transported during the test year and current FERC approved rates.

Transportation commodity charges are calculated to be $1,042,332. (Revised Exhibit 1.3, page 1, line 16.)

(c) Other Gathering, Processing and Transportation Charges. Questar Gas uses expected production and gathering volumes for the test year to compute gathering charges. The recovery of gathering costs under the system-wide agreement with Questar Gas Management Company (QGM) was moved to the pass-thru in Docket No. 05-057-11. These charges total $11,176,110. (Revised Exhibit 1.3, page 1, line 19).

Other gathering and processing charges and transportation charges are $2,209,620 and $2,089,135 respectively. (Revised Exhibit 1.3, page 1, lines 20-21.)

(d) Costs to manage the heat content of gas. Costs to manage the heat content of gas supplies reaching the Price, Payson, and Indianola city gates are shown on line 23. A separate rate, as required by Commission Order in the Gas Management Case, has been designed for each class of customers and included in the commodity or gas management portion of each rate. Revised Exhibit 1.6, page 4, shows the development of these rates.

(e) Summary of Other Costs. For the test-year, other gathering, processing and transportation costs are calculated to be $21,531,330 system wide. (Revised Exhibit 1.3, page 1, lines 19, 22 and 23.)

8. Storage Gas Charges. Questar Gas also incurs system-wide storage and working gas charges for gas to be delivered during the winter heating season. These costs are $18,948,762 as shown in Revised Exhibit 1.3, page 2, line 25. The components of these costs are the following:

(a) Storage Demand. The demand component of storage is calculated to be $14,025,058. (Revised Exhibit 1.3, page 2, line 4.)

(b) Storage Commodity. The charges during the test year for injections to and withdrawals from peaking storage and Clay Basin storage fields are calculated to be $526,774. (Revised Exhibit 1.3, page 2, line 9.)

(c) Working Storage Gas. The return on working storage gas for the most recent 13 months is $4,396,930. (Revised Exhibit 1.3, page 2, line 24.)

9. Summary of Questar Gas-Related Gas Costs. Revised Exhibit 1.4, page 1, shows Questar Gas' gas costs by component and page 2 reflects the annualized unit cost of storage gas as well as the withdrawal and injection adjustment. Revised Exhibit 1.4, page 3, shows other revenues that are treated as direct credits to gas costs, as required by the Commission in Docket No. 80-057-10 and as revised in Docket No. 01-057-14. Other revenues of $49,915,711 are the forecasted amounts for the 12 months of the test year as shown in Revised Exhibit 1.4, page 3, line 8. Revised Exhibit 1.5 allocates system-wide costs to Utah and Wyoming jurisdictions on the basis of either peak-day demand or commodity sales as appropriate. The result of these allocations is $765,928,492 in gas costs for Utah. (Revised Exhibit 1.5, line 15.)

10. Unit Gas Commodity Cost in Rates. Revised Exhibit 1.6, page 1, shows the derivation of gas commodity unit costs to be reflected in Questar Gas' Utah rate schedules, excluding supplier non-gas costs. Total Utah estimated test-year costs to be collected through the Account No. 191 procedures are $765,928,492. These costs are adjusted by F-3, I-2, I-4, IS-2, and IS-4 commodity credits for a total of $749,245,670. (Revised Exhibit 1.6, page 1, line 5.) The portion of expected test-year gas costs to be recovered on a commodity basis is $653,423,405. (Revised Exhibit 1.6, page 1, line 11.) The corresponding unit cost of gas applicable to Utah rates is $6.48417/Dth. (Revised Exhibit 1.6, page 1, line 12.)

11. Amortization of Account No. 191 Balance. Currently included in Questar Gas' gas cost rate is a commodity amortization debit of $0.32215/Dth approved by the Commission in Docket No. 05-057-11. The Company proposes to increase this rate to amortize the 2005 year-end $38,388,452 under-collected commodity portion of the balance with a $0.38094/Dth debit amortization. (Revised Exhibit 1.6, page 1, line 13.)

The treatment of the supplier non-gas cost portion of Account No. 191 and gas management costs are described in paragraphs 13 and 14.

12. Net Unit Commodity Cost. The net result of the changes in gas costs summarized in paragraph 10 and the Account No. 191 amortization discussed in paragraph 11 yields a unit commodity cost of $6.86511/Dth for firm customers, a decrease of $0.95013/Dth. (Revised Exhibit 1.6, page 1, line 14.)

13. Supplier Non-Gas Costs. Since mid-1984, Questar Gas' rate structure has incorporated a supplier non-gas component that reflects Questar Pipeline's and other suppliers' non-gas cost billings to Questar Gas. The Company has been tracking this supplier non-gas component of its Account No. 191 pursuant to the terms of its tariff. The test-year supplier non-gas costs of $89,985,751 (Revised Exhibit 1.6, page 2, line 1) are adjusted by subtracting $422,899, which is the actual year-end credit (over-collected) balance in the supplier non-gas portion of Account No. 191. The result is a total of $89,562,852 of supplier non-gas costs. (Revised Exhibit 1.6, page 2, line 3.) Current rates are estimated to recover $90,264,094 in supplier non-gas costs. (Revised Exhibit 1.6, page 2, line 4.) Questar Gas, therefore, proposes applying a uniform percentage decrease of about 0.7799% to the supplier non-gas cost component of firm sales rates. (Revised Exhibit 1.6, page 2, line 7.)

14. Gas Management Costs. Pursuant to the Commission's approval of the Stipulation in the Gas Management Case, the Company is allowed to recover from customers 90% of the non-gas processing costs incurred at the Castle Valley CO2 removal plant. (Revised Exhibit 1.6, page 4, line 1.) The stipulation also limits the annual amount of Dth to 360,000 that can be passed through to customers at a price equal to the weighted average cost of gas. (Revised Exhibit 1.6, page 4, line 2.) Additionally, the Order sets forth that any third party revenue above $400,000 shall be shared on a 50-50 basis. The current annual estimated credit for third-party revenue is $500,000, as shown on line 4. The total Utah jurisdiction gas management cost is estimated to be

$4,951,041 as shown on line 5. As directed by Commission Order, these costs have been allocated to all classes based on percentages in QGC's - Barrie L. McKay – Rate Design – Exhibit 1, line 2 in Docket 02-057-02. (See Column B lines 6 thru 13.) Using the projected volumes for the test period February 2006 through January 2007 (Column D, lines 6 thru 13) results in the rates shown in Column E. For sales customers, these rates are added to the commodity portion (Column F) of each classes' respective rate schedule. The final commodity rate for each class is shown in Column G. For the FT-2 and Interruptible Transportation schedules, the rates in Column E are added to the rates in Column F (rates for processing costs incurred from February 2005 – January 2006) to arrive at the final rate in Column G.

15. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this application is a 8.08% decrease, or, an average monthly decrease of $8.67 per month for a typical Utah GS-1 residential customer using 115 decatherms per year. The projected month-by-month changes in rates are shown in Revised Exhibit 1.7.

16. Proposed Rate Schedules. Questar Gas' proposed Utah rate schedules reflect the combination of the changes in commodity costs, including the gas management costs approved in the Gas Management Case and supplier non-gas costs allocable to Utah customers. (Revised Exhibit 1.8.)

17. Effect on Earnings. Because the rate sought in this application is a pass-through of the direct costs of gas that Questar Gas obtains for its customers, there will be no change in the Company's net profits or rate of return except for the return on working storage gas which was approved by the Commission in Docket No. 93-057-01.

18. Exhibits. Questar Gas submits the following Revised Exhibits in support of its request for an adjustment in its rates for natural gas service in Utah:

Revised Exhibit 1.1	Test-Year Cost of Questar Gas' Production
Revised Exhibit 1.2	Test-Year Purchased Gas Costs

Revised Exhibit 1.3	Test-Year Transportation, Gathering, Processing and Storage Charges
Revised Exhibit 1.4	Summary of Test-Year Gas Related Costs and Revenues Credits
Revised Exhibit 1.5	Test-Year Gas Cost Allocation
Revised Exhibit 1.6	Test-Year Gas Cost Change
Revised Exhibit 1.7	Effect on GS-1 Typical Customer
Revised Exhibit 1.8	Proposed Statement of Rates
Revised Exhibit 1.9	Questar Pipeline FERC Tariff Schedules

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with Utah statutes and the Commission's rules and procedures:

1. Enter an order authorizing Questar Gas to implement rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $765,928,492, as more fully set out in this Application in Revised Exhibit 1.8; and

2. Authorize Questar Gas to implement its adjusted amended rates effective February 1, 2006.

DATED this 27th day of January 2006.

Respectfully submitted,

QUESTAR GAS COMPANY

____

C. Scott Brown (4802)
Colleen Larkin Bell (5253)
Attorney for the Applicant
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

h:\state\utah\passthru\utahpass\06-01.doc

STATE OF UTAH)
:
COUNTY OF SALT LAKE)

Alan K. Allred, being first duly sworn upon oath, deposes and states: He is the President and Chief Executive Officer of Questar Gas Company; he has read the foregoing application; and the statements made in this amended application are true to the best of his knowledge and belief.

____

Alan K. Allred

Subscribed and sworn to before me this 27th day of January 2006.

____

Notary Public
Residing in Salt Lake City, Utah

QUESTAR GAS COMPANY
180 East First South
P. O. Box 45360
Salt Lake City, Utah 84145-0360

PROPOSED RATE SCHEDULES

P.S.C. Utah No. 400
Affecting All Sales Rate Schedules
and Classes of Service in
Questar Gas Company's
Utah Service Area

Date Issued: January 27, 2006
To Become Effective: February 1, 2006

QUESTAR GAS COMPANY

By ____
Alan K. Allred
President and Chief Executive Officer