State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

JEFFREY P. MILLINGTON
Director, Division of Public Utilities

JON HUNTSMAN Jr.
Governor

GARY HERBERT
Lieutenant Governor

To: Public Service Commission

From: Division of Public Utilities
Jeffrey P. Millington, Director
Energy Section
Bryant Norman, Utility Analyst
David Thomson, Technical Consultant
Artie Powell, Manager

Date: November 29, 2007

Subject: Questar Gas Amortization of CET Tariff, Docket No. 07-057-10

ISSUE:
Questar Gas Company ("QGC") filed on October 4, 2007 an application with the Public Service Commission ("Commission") to amortize the CET balance and to adjust the DNG rates for the GS-1 and GSS rate classes. On October 18, 2007, the Division of Public Utilities ("Division") issued a memorandum to the Commission recommending they "grant this rate increase on an interim basis until the Division has had adequate opportunity to review and audit the procedures and rates used in QGC's billing system to determine the actual DNG revenue amounts used in the monthly Conservation Enabling Tariff ("CET") accrual entries".

RECOMMEND APPROVAL:
The Division has verified the actual DNG revenues used in the monthly CET accrual entries and now recommends these rates be approved on a permanent basis.

DISCUSSION:

An audit was performed on October 17, 2007 at the headquarters of Questar Gas Company to verify actual revenues contained in the CET filings. The audit consisted of reviewing August 2006 and January 2007 amounts.

<u>Background</u>

Within QGC's billing process, there are 18 different billing cycles that are calculated each month, depending on which billing cycle a particular customer is on. In other words, if a customer's billing cycle ends on the 23rd of a month, that customer will be billed for 23 days of the current month plus days from the 24th to the end of the prior month. For financial reporting purposes, revenues must be "calendarized", which entails the use of billing estimates to account for these differing billing cycles. The calendarized amount is the amount that is reported as actual DNG revenues. These estimates for reporting purposes are trued up annually during the July/August time frame since that period would represent a time frame where gas consumed would be at its lowest point.

The DNG rate is made up in three parts. The most obvious is the base rate that is currently in effect as part of the most current rate filing. A second part of the DNG rate is an adjustment for weather normalization. This calculation is based on degree days adjustment. Another part of the DNG revenue rate is the monthly customer charge, of which there are 5 different classes that receive a specific charge. For most of the customers this charge amounts to $5 per month.

Another factor that affects the calculation of actual DNG revenue is the "block allocation factor". As customer's actual gas consumption increases, different rates apply, all as approved in the latest filing.

Obviously, the calculations involved in providing this information for 800,000 plus customers, requires a complex system. QGC has developed additional systems that support the process. From the billing system, information is shared with a developed system, REVRUN, which in turn develops reports and information used to report various items.

Audit

The audit was conducted to verify, as much as possible, that the approved DNG revenue rates and actual volumes were properly used to calculate the actual revenue amounts used in the CET filings. No verification as to the accuracy of the various models was made. Verifying the models would require a systems audit. The months reviewed were August 2006 and January 2007, with August a representation of a summer month and January representing a winter month, with the corresponding rates.

Conclusion

The DNG actual revenues as reported by QGC in the CET filings appear to be reported properly.

cc: Barrie McKay, Questar Gas Company
Michele Beck, Committee of Consumer Services