PASS-THROUGH APPLICATION OF	)	
QUESTAR GAS COMPANY FOR	)	Docket No. 11-057-08
AN ADJUSTMENT IN RATES	)	
AND CHARGES FOR NATURAL	)	
GAS SERVICE IN UTAH	)	APPLICATION

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

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APPLICATION
AND
EXHIBITS
August 31, 2011

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

PASS-THROUGH APPLICATION OF QUESTAR GAS COMPANY FOR AN ADJUSTMENT IN RATES AND CHARGES FOR NATURAL GAS SERVICE IN UTAH	)))))	Docket No. 11-057-08 APPLICATION

Questar Gas Company (Questar Gas or the Company) respectfully submits for Commission approval this application for a decrease of $26,182,000 in its Utah natural gas rates.

The Questar Gas Company Utah Natural Gas Tariff PSCU 400 (Tariff), Section 2.06, provides for pass-through applications to be filed "no less frequently than semi-annually." The driving force behind the price decrease in this Application is a decrease in the winter gas cost.

The information contained in this Application is based on the August 2011 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of $540,357,735. This case proposes an overall decrease of $26,182,000 which includes a decrease of $6,017,000 in the commodity rates and a decrease of $20,164,000 in supplier non-gas (SNG) rates.

If the Commission grants this Application, typical residential customers using 80 decatherms per year will see a decrease in their total annual bill of $18.51 (or 2.67%).

In support of this Application, Questar Gas states:

1. <u>Questar Gas' Operations</u>. 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 rates, charges, and general conditions for natural gas service in Utah are set forth in the Tariff. 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 (2010).

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 §2.06 of the Tariff, pages 2-8 through 2-13, which sets forth procedures for recovering gas costs shown in Account No. 191 by means of periodic and special adjustments to rates and an amortization of that account over one year.

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 September 2012.

5. Cost of Questar Gas Production. 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 $307,630,624, as shown on the last page of Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make system-wide royalty payments of $43,142,266 on Company-owned gas produced by Wexpro. These royalty payments are based on projected volumes for the test year and the price forecast for the test year explained below in paragraph 6.

(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 $264,488,358 system wide.

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to be $175,762,101 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $4.05369/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, amendments to cap prices for price stability and a forecast of gas prices. In this case, the Company has used an average of gas-price forecasts from PIRA Energy Group and Cambridge Energy Research Associations, Inc. Exhibit 1.10 provides a comparison of the gas price forecasts, as well as the average of the forecasts, for the test year. These purchased gas costs comprise the following elements:

(a) Questar Gas currently expects to purchase 25,845,109 Dths under existing contracts at a total cost of $109,480,466 as shown in Exhibit 1.2, line 3. Included in these costs, in accordance with the Commission-approved stipulation 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 through April. The other two-thirds of the gas purchases for the same time period will remain priced at first-of-month index prices along with all of the gas purchased for the remainder of the test year.

(b) Also, Questar Gas expects to contract in the future for an additional 1,077,573 Dths at a total estimated cost of $4,246,883 as shown on Exhibit 1.2, line 5.

(c) In addition to current and future contracts, Questar Gas anticipates buying 16,435,831 Dths on the spot market at a total estimated cost of $62,034,752 (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 $90,821,202, as shown in Exhibit 1.3, page 1,

line 23. The transportation (as well as storage) costs are based on upstream pipelines' rates. These costs comprise 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 $62,075,648 system wide (Exhibit 1.3, page 1, line 9). Also included is a projected capacity release credit of $446,959 (Exhibit 1.3, page 1, line 3).

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this application 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 $595,520 (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 gathering costs under the system-wide agreement with QEP Field Services are estimated to be $23,256,380 (Exhibit 1.3, page 1, line 19). Other gathering and processing charges and transportation charges are $2,911,123 and $1,982,531 respectively (Exhibit 1.3, page 1, lines 20-21).

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 $18,284,068 as shown in 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 (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 $488,914 (Exhibit 1.3, page 2, line 9).

(c) Working Storage Gas. The return on working storage gas for the most recent 13 months is $3,770,096 (Exhibit 1.3, page 2, line 24).

9. Summary of Gas-Related Gas Costs. 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. Exhibit 1.4, page 3, shows other revenues that are treated as direct credits to gas costs, as required by the Commission in its Order in Docket No. 80-057-10 and as revised by Commission Order in Docket No. 01-057-14. Other revenues of $33,781,257 are the forecasted amounts for the 12 months of the test year as shown in Exhibit 1.4, page 3, line 8. 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 $540,357,735 in gas costs for Utah (Exhibit 1.5, line 14).

10. Unit Gas Commodity Cost in Rates. 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 $540,357,735. These costs are adjusted by IS credits for a total of $530,725,617 (Exhibit 1.6, page 1, line 3). The portion of expected test-year gas costs to be recovered on a commodity basis is $429,376,286 (Exhibit 1.6, page 1, line 8). The corresponding unit cost of gas applicable to Utah rates is $4.16664/Dth (Exhibit 1.6, page 1, line 9).

11. Amortization of 191 Account Balance. Questar Gas' gas cost rate currently includes a commodity amortization of $0.14067/Dth approved by the Commission in Docket No. 11-057-02. Since the 191 Account commodity portion is still under-collected, the Company proposes to amortize the July 2011 under-collected commodity portion of the 191 account balance which is $13,296,450 to establish a reduced debit amortization of $0.12903/Dth (Exhibit 1.6, page 1, line 10). The treatment of the supplier non-gas cost portion of the 191 Account and gas management cost are described in paragraph 13.

12. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 10, and the 191 Account amortization, discussed in paragraph

11, yields a unit commodity cost of $4.29567/Dth for firm customers, a decrease of $0.05839/Dth (Exhibit 1.6, page 1, line 11).

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 costs billed 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 are $101,349,330 (Exhibit 1.6, page 2, line 1). Current rates are estimated to recover $104,967,932 in supplier non-gas costs (Exhibit 1.6, page 2, line 4). Questar Gas therefore proposes applying a uniform percentage decrease of 3.46% to the supplier non-gas component of firm sales rates.

(a) Supplier Non-Gas Amortization. Consistent with the Division of Public Utilities' recommendation and in an effort to reduce volatility in this rate component, Questar Gas has, since 2009, been amortizing this balance on an annual basis in its fall pass-through filings. As can be seen in Exhibit 1.11, page 1, this has resulted in the normal 191 account SNG balance fluctuating between $0 and approximately $40,000,000 over-collected each year. Rather than continuing this pattern of being over-collected throughout the year, Questar Gas proposes to amortize the SNG under/over-collected component of the 191 balance on an annual basis in the spring pass-through filings starting with the filing in the spring of 2012. Changing the amortization timing to the spring pass through will reduce volatility and interest costs by reducing the extreme swings in the SNG account to approx $20,000,000 under-collected and $20,000,000 over-collected throughout the year as can be seen in Exhibit 1.11, page 2. To facilitate the transition to a spring amortization date, and to help bring the SNG account balance to near zero in the spring, Questar Gas recommends extending summer SNG rates through November and December of 2011. Then beginning January 2012 the winter rates would become effective. Thereafter normal winter (November-March) and summer (April-October) SNG rates will be applicable.

(b) To implement this proposal, the Company has included in Exhibit 1.8 two sets of tariff sheets. The first set would become effective October 1, 2011. They include the continuation of summer SNG rates as proposed above. The second set of tariff sheets would become effective January 1, 2012 and return the SNG rates to the normal winter level. These tariff sheets would remain in effect until the next (spring) pass-through filing.

14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this application is a 2.67% decrease, or a decrease of $18.51 per year for a typical GS residential customer using 80 decatherms per year. The projected month-by-month changes in rates are shown in Exhibit 1.7.

15. Proposed Tariff Sheets. Questar Gas' proposed Utah Tariff sheets reflect the combination of the changes in commodity costs, and supplier non-gas costs allocable to Utah customers (Exhibit 1.8).

16. 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 rate of return. Net profits are also unaffected except for the return on the changed amount of working storage gas which was approved by the Commission in Docket No. 07-057-13.

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

Exhibit 1.1	Test-Year Cost of Questar Gas' Production
Exhibit 1.2	Test-Year Purchased Gas Costs
Exhibit 1.3	Test-Year Transportation, Gathering, Processing and Storage Charges
Exhibit 1.4	Summary of Test-Year Gas Related Costs and Revenues Credits
Exhibit 1.5	Test-Year Gas Cost Allocation
Exhibit 1.6	Test-Year Gas Cost Change

Exhibit 1.7	Effect on GS Typical Customer
Exhibit 1.8	Proposed Tariff Sheets
Exhibit 1.9	Questar Pipeline FERC Tariff Schedules
Exhibit 1.10	Comparison of Gas Price Forecasts
Exhibit 1.11	Graphs of 191 Account SNG Balances

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with its rules and procedures and the Company's Tariff:

1. Enter an order authorizing Questar Gas to implement a decrease in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $540,357,735 as adjusted in Exhibit 1.6 and as more fully set out in this Application and in Exhibit 1.8.

DATED the 31st Day of August 2011.

Respectfully submitted,

QUESTAR GAS COMPANY

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PROPOSED RATE SCHEDULES

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

Date Issued: August 31, 2011
To Become Effective October 1, 2011
and January 1, 2012