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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO MAKE TARIFF MODIFICATIONS TO CLARIFY THE METHOD FOR DETERMINING ALLOWANCES FOR RESIDENTIAL MAIN AND SERVICE LINE EXTENSIONS	Docket No. 11-057-T02 **APPLICATION FOR TARIFF CHANGES**

I. Introduction

1. Pursuant to Utah Code Ann. §§ 54-3-2, 54-3-3, 54-4-1 and R746-405-1 *et seq.* of the Rules of the Utah Public Service Commission (Commission), Questar Gas Company (Questar Gas or the Company) respectfully submits this Application to Make Tariff Modifications to Clarify the Method for Determining Allowances for Residential Main and Service Line Extensions.

2. 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 charges and

general conditions for natural gas service in Utah are set forth in the Questar Gas Company Utah Natural Gas Tariff PSCU 400 (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.

3. As more fully described below, Questar Gas respectfully seeks Commission approval to modify Sections 9.03 and 9.04 of its Tariff to clarify the method of calculating allowances for the installation of service lines, meters and mains.

II. Background

4. In Docket No. 02-057-02, Questar Gas sought to change its allowance policy for mains, service lines and meters. Prior to that time, Questar Gas had footage-based allowances. Questar Gas proposed the implementation of an allowance based upon average per-customer costs. In Docket No. 02-057-02, Exhibit 5.2, page 2, the Company showed that the main, service line and meter costs for a new customer was about $1,800 ("New Customer Costs"). In Exhibit 5.2, page 3, the Company showed that the main, service line and meter costs for an existing customer[1] ("Existing Customer Costs") was about $570. The parties in that case agreed to a combined allowance for the main, service line and meter costs that was set close to the midpoint between Existing Customer costs and New Customer costs. This amount was approximately $1,150 per new customer. *See*, Tariff Sections 9.03 and 9.04. In its order the Commission approved the Tariff change as agreed to by the parties.

[1] The average cost of an existing customer represents the depreciated net book value of these plant accounts on a per customer basis for the entire system.

5. Since 2002, the average embedded cost of serving existing customers and the cost of extending service to new customers have continued to increase, while the main and service line allowances have remained the same. In an effort to maintain the same cost relationship established in 2002, Questar Gas now proposes to calculate the allowance for mains, service lines and meters as more specifically set forth below.

III. Tariff Modifications

6. The Company seeks approval to modify Sections 9.03 and 9.04 of its Tariff to more clearly set forth the manner of calculating the allowance for residential main extensions and service line extensions[2] such that the allowances will change over time to reflect changes in costs associated with constructing new facilities. Allowing such flexibility in the Tariff will ensure that the allowances are and remain just and reasonable, and that they properly relate to the actual costs the Company incurs in constructing new facilities.

7. In order to achieve the appropriate balance, the Company recommends that the difference between Existing Customer Costs and New Customer Costs be shared equally between new customers and existing customers. The incremental costs associated with new main and service lines have historically been borne by both existing customers (through the allowance) and new customers (through a required contribution in aid of construction). The allowance calculation proposed here is consistent with the allowance that was approved in Docket 02-057-02.

8. The attached QGC Exhibit 1 illustrates the Company's proposal for calculating the total allowance for service lines and mains. Exhibit 1, page 1, lines 1 and

[2] The service line allowance includes a calculation of costs for meters. For ease of reference, the term "service line" herein references service lines and meters.

2 shows the main, service line and meter costs for new and existing customers. Line 3, column D shows the combined allowance (mid-point) for main, service line and meters. Exhibit 1, Page 2 shows new customer costs for main. Exhibit 1, page 3, shows the calculation of new customer costs for service line and meters.

9. Once the Company has calculated what the total allowance should be, it must then determine which portion of that allowance will be attributable to main extensions (Tariff Section 9.03) and what portion of the allowance should be attributable to service lines (Tariff Section 9.04). Currently, the cost of mains represents about 57% of the total cost of adding a new customer. The Company, therefore, recommends that 57% of the allowance be allocated to mains. Similarly, service lines and meters represent the other 43% of the costs, and the Company recommends that 43% of the allowance be assigned to service line and meters. These costs and percentages are shown and calculated on QGC Exhibit 1, columns A-C on lines 4-6.

10. Accordingly, the Company recommends that main allowances be calculated as follows:

(NC + EC) x .50 x .57

Where:	NC =	Average cost of adding a new customer.
	EC =	Average net cost of existing customers.
	.50 =	The percent of cost sharing between the new customer and the existing customer.
	.57 =	The main cost as a percent of average cost of adding a new customer.

11. The Company recommends that service line allowances be calculated as follows:

(NC + EC) x .50 x .43

Where: NC = Average cost of adding a new customer.
EC = Average net cost of existing customers.
.50 = The percent of cost sharing between the new customer and the existing customer.
.43 = The service line and meter cost as a percent of average cost of adding a new customer.

12. The Company believes this method of calculation is consistent with the principles that established the allowance in 2002 and allows for flexibility over time to ensure that the cost-sharing relationship remains balanced.

13. Attached as QGC Exhibit 2 are the Tariff sheets in legislative and final format reflecting the proposed Tariff changes.

IV. PRAYER FOR RELIEF

14. Questar Gas respectfully requests that the Commission approve the attached Tariff sheets, and authorize Questar Gas to implement the proposed Tariff changes effective April 18, 2011.

DATED this 17th day of March, 2011.

Respectfully submitted,

QUESTAR GAS COMPANY

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