IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 13-057-05 VERIFIED APPLICATION

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VERIFIED APPLICATION
AND
EXHIBITS

July 1, 2013

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 13-057-05 VERIFIED APPLICATION

Pursuant to Utah Code Ann. §§ 54-4-4 (2012) and 54-7-12 (2012) and Utah Admin. Code R746-100-1, *et seq.* (2012), and R746-700-1, *et seq.* (2012), Questar Gas Company (Questar Gas or the Company) respectfully applies for an order authorizing a total revenue requirement of $313.4 million. This revenue requirement results in an increase in distribution revenue in Utah in the annualized amount of approximately $18.96 million. This amount constitutes a revenue deficiency and reflects the effects of the increased costs of supplying utility service in Utah that will not be covered under currently authorized rates. The increasing capital expenditures associated with the Company's ongoing critical need for maintaining, upgrading, and replacing its aging infrastructure and serving an increasing number of new customers have resulted in rates that will no longer be just and reasonable.

I. PRELIMINARY MATTERS

A. Questar Gas Company's Operations

Questar Gas is a corporation organized and existing under the laws of the state of Utah, with its principal business office located at 333 South State Street, Salt Lake City, Utah. The Company is engaged in the business of providing natural gas as a local distribution company. Questar Gas currently distributes natural gas to approximately 910,000 customers throughout the state of Utah and in Franklin County in southeast Idaho subject to the ratemaking jurisdiction of the Utah Public Service Commission (Commission). In addition, the Company distributes gas to communities and rural areas in southwest Wyoming under the jurisdiction of the Wyoming Public Service Commission.

B. Articles of Incorporation; Tariff

A copy of Questar Gas's Articles of Incorporation is on file with the Commission. The Company's present rates, charges, and general conditions for natural gas service in Utah are regulated by the Commission and are set forth in Questar Gas's Tariff PSC Utah No. 400 (Tariff). Rates and Tariff provisions proposed by this Application will be published as revisions to Tariff PSC Utah No. 400 and will supersede the current rates and Tariff provisions.

II. APPLICATION FOR AN INCREASE IN DISTRIBUTION NON-GAS RATES AND CHARGES FOR NATURAL GAS SERVICE

a. Current Rate Structure

Questar Gas's current rates are divided into three components: (1) distribution non-gas (DNG) rates, which relate to costs incurred by the Company in providing service to its retail customers, exclusive of the costs of gas supplies and transporting that gas to Questar Gas's system, (2) supplier non-gas (SNG) rates, which reflect the costs of transporting natural gas from natural gas fields to various city gates on the Company's system, and (3) commodity costs associated with acquiring gas supplies, including gas purchases, the Wexpro operator service fee for the production of Company-owned gas supplies and other gas-supply related expenses.

The rate relief requested in this Application is limited to the DNG–cost portion of the Company's rates. The SNG and commodity rates are considered in separate pass-through proceedings in accordance with the Company's Tariff and rules and procedures of the Commission. The DNG rates collect about 39% of Questar Gas's total revenue while SNG and commodity rates make up the remaining 61%.

b. Previous Rate Proceeding Establishing DNG Rates

The Company's current DNG rates reflect the Commission's Report and Order in Docket No. 09-057-16, as adjusted by the Commission-approved Conservation Enabling Tariff amortizations, Demand-Side Management amortizations, Energy Assistance charges, and the Infrastructure Rate Adjustment Surcharges.

c. Necessity for Relief

The Company's present rates and charges authorized by the Commission will no longer provide the Company the opportunity to recover the costs of providing natural gas service while earning a reasonable rate of return on its investment in rate base necessary to provide the service. Therefore, these rates are no longer "just and reasonable" as required by Utah Code Ann. § 54-3-1 (2012), and do not meet the standards enunciated by the

United States and Utah Supreme Courts. Based upon the test period as set forth in this case, the Company will earn only 8.1% on equity invested.

d. Basis for Determination of Rate Relief

The proposed test period includes the revenues, expenses and plant that best reflect the conditions that will occur during the rate-effective period. As more fully set forth in the direct testimony attached to this Application, Questar Gas examined all of its operations and the associated costs, revenues and plant; and considered and projected all the material changes that the Company knows or reasonably expects to occur by December 31, 2014. The Company has included adjustments that reduce the determination of the Company's revenue requirement as well as those that increase it. These forecasted results were then adjusted for regulatory adjustments consistent with past Commission orders and practice to arrive at the revenue requirement projected for the test period.

e. Factors Contributing to Revenue Deficiency

The primary driver for this general rate case is the Company's ongoing critical need to replace its aging infrastructure, as well as the requirement set forth in the Report and Order in Docket No. 09-057-16 requiring that Questar Gas file a general rate case no later than July of 2013. Questar Gas' capital expenditures are significantly increasing and the Company expects to invest $195 million and $189 in 2013 and 2014, respectively. Additionally, the increasing number of customers, the growth in peak-day demand and other capital costs associated with ongoing system operations require significant investment.

f. Rate of Return

In order for Questar Gas to meet its public-service obligation to Utah customers, the Company must be given a reasonable opportunity to earn a rate of return on equity (ROE) that is commensurate with returns realized by investors on investments with similar risks in the capital markets. As established in the Direct Testimony of David M. Curtis, attached to this Application as QGC Exhibit 2.0, the Company's rates should be based on an authorized ROE of 10.35 percent. An ROE set at this level is appropriate to maintain the long-term financial integrity of the Company's utility operations and to provide a fair return on shareholder investment.

Questar Gas's requested ROE is fair and adequate in today's financial marketplace and falls within the range of reasonable ROEs of a proxy group of companies comparable to Questar Gas, as measured using the Discounted Cash Flow and Risk Premium analyses. Additionally, it is comparable to ROEs currently being authorized for top-performing gas utility companies. Questar Gas's requested ROE is at the level required by investors to attract the capital necessary for critical investment in plant.

g. Summary of Test-Period Deficiency and Rate Impact

i. Test-Period Deficiency.

The factors discussed above contribute to a revenue deficiency in the Company's Utah operations, and Questar Gas will require $18.96 million in additional annual revenues for its Utah operations as described in the Direct Testimony of Kelly B. Mendenhall, attached to this Application as QGC Exhibit 3.0.

ii. Cost-of-Service and Rate Design.

Questar Gas requests that the revenue requirement be spread among customer classes in accordance with the cost-of-service study and rate design described in the Direct Testimony of Austin C. Summers, attached to this Application as QGC Exhibit 4.0 and in the Direct Testimony of Kelly B. Mendenhall, attached to this Application as QGC Exhibit 3.0.

iii. Financial Impact.

The effect of the proposed rate increase on the typical GS customer who uses 80 Dth per year will be an increase of approximately $16.37 per year. This is an overall increase to a typical customer's bill of approximately 2.45%.

III. INCLUSION OF IHP REPLACEMENT PROJECTS IN THE INFRASTRUCTURE RATE-ADJUSTMENT MECHANISM

Questar Gas is requesting that the Commission approve the expansion of the Infrastructure Rate-Adjustment Mechanism to include costs associated with the replacement of Intermediate High Pressure (IHP) beltlines. Questar Gas proposes spending approximately $55 million per year for the replacement of High Pressure (HP) aging infrastructure and another $10 million on the replacement of IHP belt mains (cumulatively approximately $65 million).

As explained in the Direct Testimony of Barrie L. McKay, attached to this Application as QGC Exhibit 1.0, when the Company conducted inspection and analysis required by the Transmission Integrity Management Program (TIMP), the Distribution Integrity Management Program (DIMP), and its own internal practice it determined that aging IHP pipelines should be scheduled for replacement. Like the high pressure pipelines, the aging IHP pipelines were aging and/or reconditioned and also require replacement. Though the Company operates IHP pipelines at a lower pressure, many of these IHP pipelines are located within populated areas along the Wasatch Front. The Company believes that a formal replacement program is prudent. Accordingly, the Company is proposing to spend approximately $10 million per year to replace the IHP belt mains, in addition to the previously-approved $55 million per year for high pressure infrastructure. The Company proposes to expand the Infrastructure Rate-Adjustment Mechanism to include the costs of IHP beltline replacement.

IV. COMPRESSED NATURAL GAS RATE FOR NATURAL GAS VEHICLES

In its 2009 General Rate Case, the Company proposed a less-than-full-cost-of-service rate for the Natural Gas Vehicle (NGV) rate class and expressed an intent to move toward a full-cost-of-service rate in a subsequent case. In his direct testimony, Mr. McKay indicates that given the Company's current investment, its customers' current demand (annual usage) and the Company's proposed cost-of-service methodology, the Company proposes to move the NGV rate class to full cost-of-service.

V. TARIFF CHANGES

Questar Gas requests that the tariff changes described in the Direct Testimony of Kelly B. Mendenhall, attached as QGC Exhibit 3.0, and shown on QGC Exhibit 3.37 be approved.

VI. COMPLETE FILING

In accordance with Utah Admin. Code R746-700-1 *et seq.*, Questar Gas has provided all information, evidence and data necessary to constitute a complete filing of a general rate case. QGC Appendix 1 to this Application provides a list of the categories of information required by Utah Admin. Code R746-700-1 *et seq.*, and a reference to where the required information can be found within the Application.

VII. SUPPORTING EVIDENCE

The following exhibits are attached in support of this Application and, by this reference, are incorporated herein: the sworn testimony of Barrie L. McKay (QGC Exhibit 1.0), David M. Curtis (QGC Exhibit 2.0), Kelly B. Mendenhall (QGC Exhibit 3.0), and Austin C. Summers (QGC Exhibit 4.0), and additional information provided in compliance with Utah Admin. Code R746-700-1 *et seq.* (QGC Appendix 1).

VIII. RELIEF REQUESTED

WHEREFORE, Questar Gas Company respectfully requests that the Commission:

A. Schedule a time and place for hearing on this Application and give appropriate notice in accordance with Utah law;

B. Authorize an increase in rates and charges that will satisfy a total revenue requirement of $18.96 million, as described in this Application;

C. Authorize the implementation of new rates and tariff changes consistent with Utah Code Ann. §§ 54-4-4 and 54-7-12 (2012);

D. Approve the inclusion of replacing aging IHP infrastructure in the Infrastructure Rate-Adjustment Mechanism as more fully set forth herein and increase the annual spending cap from $55 million to $65 million; and

E. Approve the Tariff changes proposed in this Application and the attached pre-filed direct testimony.

RESPECTFULLY SUBMITTED this 1st day of July, 2013.

QUESTAR GAS COMPANY

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Colleen Larkin Bell
Jenniffer Nelson Clark
Questar Gas Company

Attorneys for Questar Gas Company

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Application was served upon the following persons by e-mail on July 1, 2013:

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VERIFICATION

STATE OF UTAH)
:
COUNTY OF SALT LAKE)

Barrie L. McKay, being first duly sworn upon oath, deposes and states: He is the Vice President of Regulatory Affairs of Questar Gas Company; he has read the foregoing Application; and the statements made in the Application are true and correct to the best of his knowledge, information and belief.

____
Barrie L. McKay

Subscribed and sworn to before me this 1st day of July, 2013.

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Notary Public