PASS-THROUGH APPLICATION OF	)	
QUESTAR GAS COMPANY FOR	)	Docket No. 14-057-22
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
October 1, 2014

- 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. 14-057-22 APPLICATION

Questar Gas Company (Questar Gas or the Company) respectfully submits for Commission approval this Application for a decrease of $29,811,000 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 price decrease addressed in this Application results from a decrease in the purchased gas costs.

The information contained in this Application is based on the September 2014 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of $598,234,115. This case proposes an overall decrease of $29,811,000 which includes a decrease of $23,743,000 in the commodity portion of rates and a decrease of $5,522,000 in the supplier non-gas (SNG) portion of 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 $22.48 (or 2.93%).

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 Utah Public Service Commission (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 an 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 (2013).

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 2-9 through 2-14, 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 October 31, 2015.

5. Cost-of-Service 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 I Stipulation and Agreement[1] and Articles II and III of the Wexpro II Agreement[2]. System-wide, total costs for Questar Gas' production are expected to be $360,165,191, as shown on page 20 of Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make royalty payments of $40,530,802 (Exhibit 1.1, page 19, line 1417) on Company-owned gas produced under Wexpro I and royalty payments of $2,604,619 (Exhibit 1.1, page 20, line 1497) on Wexpro II production. 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 cost-of-service wells. The Wexpro I operator service fee

[1] The Commission approved the Wexpro I Stipulation and Agreement in Case No. 76-057-14, resolving that case as well as case Nos. 77-057-03, 79-057-03 and 80-057-01.
[2] The Commission approved the Wexpro II Agreement in Docket No. 12-057-13.

for gas produced from productive gas wells for Questar Gas by Wexpro is expected to be $292,226,081 (Exhibit 1.1, page 19, line 1418) system wide. The operator service fee for Wexpro II is expected to be $24,803,689 (Exhibit 1.1, page 20, line 1498).

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to be $189,270,645 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $3.90769/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, 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 18,105,000 Dths under existing contracts at a total cost of $75,162,118 as shown in Exhibit 1.2, line 3. For the past several years the Company has entered into fixed price arrangements on a portion of its winter purchased gas and therefore has not incurred any stabilization costs. The Company does not anticipate incurring any stabilization costs during the proposed test period. If, in the future, there again becomes a need for the Company to incur stabilization costs, the Company will recommend inclusion of these types of costs at that time.

(b) In addition to current contracts, Questar Gas anticipates buying 29,415,461 Dths on the spot market at a total estimated cost of $110,819,845 (Exhibit 1.2, line 4).

(c) Also, Questar Gas expects to contract in the future for an additional 915,004 Dths at a total estimated cost of $3,288,682 as shown on Exhibit 1.2, line 5.

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 $84,375,635, as shown in Exhibit 1.3, page 1, line 25. The transportation and storage costs are based on upstream pipelines' rates. These costs comprise the following elements:

(a) Questar Pipeline Company (Questar Pipeline) and Kern River Gas Transmission Company (Kern River) Demand Rates. Annual transportation demand charges to transport produced and purchased gas are calculated to be $62,325,165 system wide (Exhibit 1.3, page 1, line 10). This includes a projected capacity release credit of $212,509 (Exhibit 1.3, page 1, line 4).

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this Application reflect the level of Wexpro I and Wexpro II production and purchased-contract gas transported during the test year and current FERC approved rates. Transportation commodity charges are calculated to be $531,000 (Exhibit 1.3, page 1, line 17).

(c) Gathering and Transportation Charges. Wexpro I volumes are gathered pursuant to the system-wide gathering agreement between Questar Gas and QEP Field Services (QEPFS). In determining the gathering charges, Questar Gas uses expected production and gathering volumes for the test year. There is currently a dispute between the Company and QEPFS regarding the rates and charges used to calculate the gathering rate, which is in litigation. Based on the information available to date, the Company estimates gathering costs under the gathering agreement to be $14,206,016 (Exhibit 1.3, page 1, line 20). This amount is subject to adjustment pending the outcome of the litigation. Wexpro II volumes are gathered under a separate agreement and are estimated to be $1,756,772 (Exhibit 1.3, page 1, line 21). Other gathering and transportation charges are $2,020,284 and $3,536,398 respectively (Exhibit 1.3, page 1, lines 22-23).

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 $18,128,916 as shown in Exhibit 1.3, page 2, line 28. The components of these costs are the following[3]:

(a) Storage Demand. The demand component of storage is calculated to be $14,025,058 (Exhibit 1.3, page 2, line 5).

[3] Ryckman Creek Resources is not expected to be operational during this test period.

(b) Storage Commodity. The charges during the test year for injections to and withdrawals from peaking and Clay Basin storage fields are calculated to be $395,474 (Exhibit 1.3, page 2, line 12).

(c) Working Storage Gas. The return on working storage gas for the most recent 13 months is $3,708,384 (Exhibit 1.3, page 2, line 27).

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 $30,976,885 are the forecasted amounts for the 12 months of the test year as shown in Exhibit 1.4, page 3, line 18. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation[4] in this test period. 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 $598,234,115 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 $598,234,115. In accordance with the Commission's Report and Order in docket 13-057-05, the Company will charge customers in the IS class the weighted average cost of gas (WACOG) beginning with the fall pass through filing. In the past, these customers paid market rates and a corresponding credit for anticipated sales was made. The need for this credit will no longer exist. The portion of expected test-year gas costs to be recovered on a commodity basis is $503,037,818 (Exhibit 1.6, page 1, line 6). The corresponding unit cost of gas applicable to Utah rates is $4.63135/Dth (Exhibit 1.6, page 1, line 7).

[4] The Commission approved the Wexpro II Trail Unit Stipulation in Docket No. 13-057-13.

11. Amortization of 191 Account Balance. The actual August 31, 2014 191 Account commodity portion is under-collected, and the Company proposes to amortize that under-collected portion of 45,111,165 by establishing a debit amortization of $0.41533/Dth (Exhibit 1.6, page 1, line 8). 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 $5.04668/Dth for firm customers, a decrease of $0.22920/Dth (Exhibit 1.6, page 1, line 9).

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 $95,196,297 (Exhibit 1.6, page 2, line 1).

(a) Net Unit SNG Cost. Current rates are estimated to recover $94,706,544 in supplier non-gas costs (Exhibit 1.6, page 2, line 4). Questar Gas therefore proposes applying a uniform percentage increase of 0.52% to the supplier non-gas component of firm sales.

(b) Supplier Non-Gas Amortization. Consistent with the Division of Public Utilities' recommendation in Docket 11-057-08, the Company began amortizing the balance in the SNG portion of the 191 account annually instead of semi-annually. The change was meant to reduce volatility and interest costs by limiting the swings in the SNG account from what had historically been $40,000,000 over-collected and near zero throughout the year to approximately $20,000,000 under-collected and $20,000,000 over-collected. In the Company's last pass through filing (Docket No. 14-057-09), an amortization rate was established based on the balance in the SNG account at the end of March 2014. This amortization was meant to keep this account balance within the parameters described above. The Company is proposing to continue amortizing the

$5,896,338 balance established in the prior case. The credit amortizations are shown in column F of Exhibit 1.6 page 3.

(c) The net result of the changes in SNG costs, summarized in paragraph 13(a), and the 191 Account amortization, discussed in paragraph 13(b), yields the unit SNG costs shown in column G of Exhibit 1.6 page 3)

14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 2.93% decrease, or a decrease of $22.48 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. Combined Tariff Sheets. In addition to this pass-through application, Questar is concurrently filing an application to amortize the Conservation Enabling Tariff deferred account balance in Docket 14-057-23 and to adjust the low income assistance/energy assistance rate in Docket 14-057-24. Exhibit 1.11 shows the proposed rate schedules that reflect the tariff sheets that will be effective should the Commission approve all three applications.

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 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. 09-057-16.

18. 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	Combined Tariff Sheets

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 $598,234,115 as adjusted in Exhibit 1.6 and as more fully set out in this Application and in Exhibit 1.8.

2. Authorize Questar Gas to implement the revised rates effective November 1, 2014.

DATED the 1st Day of October 2014.

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: October 1, 2014
To Become Effective November 1, 2014