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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas Company for Approval of a Natural Gas Processing Agreement

In the Matter of the Application of Questar Gas to Adjust Rates for Natural Gas Service in Utah

Docket No. 98-057-12

RESPONSE OF THE COMMITTEE OF CONSUMER SERVICES TO THE JULY 23, 2002 PUBLIC SERVICE COMMISSION QUESTIONS

Docket No. 01-057-14

The Committee hereby provides its response to the three questions asked by the Commission in its Memorandum to Parties in this docket dated July 23, 2002.

1. Given that the 191 Account principally affords Questar Gas an opportunity to recover gas commodity costs and supplier non-gas costs associated with bundled sales service, the Committee believes that transportation customers will not incur CO₂ expenses recovered through the 191 Account. Presumably, large customers electing to take service under Questar Gas's Interruptible Sales Tariff will share in any CO₂ cost recovery allowed in the 191 Account. However, contributions from such customers will vary annually, depending on whether they take service under a sales or transportation tariff. The Committee believes the Commission has identified a problem that needs to be addressed and resolved.

2. The Committee agrees with the Commission's perspective that a nexus exists between the stipulation addressing the recovery of CO2 costs in Docket No. 99-057-20 and the (Remand) costs at issue in Docket No. 01-057-14. The issue appropriately framed is what is a reasonable and fair way to recover a maximum of \$25 million in CO2 expense spanning a period of June 1999 through June 2004.

The Committee notes that it is on record opposing any recovery of CO2 costs. That said, to the extent any recovery is authorized, we recommend it occur through a separate tariff rider assessed on all customer bills (see response to question three below).

3. There are inherent difficulties in permitting cost recovery in either the 191 Account or general rates. Using the 191 Account as a cost recovery vehicle will allow transportation customers to avoid their fair share of CO2 costs. By placing CO2 costs in general rates, the Company may recover in excess of the stipulated to, and Commission-approved, amount of up to \$25 million. Excess cost recovery may arise because the CO2 processing expense can only be eliminated in the context of a general rate case.

Alternative:

A separate tariff rider is a potential alternative to treat the un-recovered balance (up to roughly \$15 million) of CO2 expense. The level of the rider could be set according to the provisions of Paragraph 10 of the referenced "Allocation and Rate Design Stipulation," subject to any allocation and rate design changes ordered by the Commission (in the current general rate case) which relate to CO2 expense. The rider should be based on a projected amortization schedule and could easily be eliminated when the targeted amount is recovered without requiring a rate case filing.

Dated this _____ day of _____, 2001

REED T. WARNICK
Assistant Attorney General

CERTIFICATE OF SERVICE

I hereby certify that a copy of the **RESPONSE OF THE COMMITTEE OF CONSUMER SERVICES TO**

THE JULY 23, 2002 PUBLIC SERVICE COMMISSION QUESTIONS in Docket Number 01-057-14 were mailed or hand delivered on the _____ day of July, 2002 to the following:

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