

## Memorandum

To: Public Service Commission

From: Division of Public Utilities  
Lowell Alt, Director  
Energy Section  
Judith Johnson, Manager  
Darrell S. Hanson, Technical Consultant  
Marlin Barrow, Rate Analyst

Date: December 21, 2001

Subject: Questar Gas Company, Gas Cost Pass-Through, Docket No. 01-057-14.

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### **I. Issue:**

Questar Gas Company (QGC) filed an application with the Public Service Commission (Commission) on December 14, 2001, requesting rate changes that result in an overall annualized decrease in rates of \$66,947,000. The impact on a typical residential customer using 115 decatherms annually is a decrease in the annual bill of \$86.00 or 11.21%. The application proposes that the change in rates be effective January 1, 2002.

### **II. Recommendation:**

The Division of Public Utilities (Division) recommends that the application be approved on an interim basis and that the proposed rates be effective January 1, 2001 with the exception of the following two items. First the costs associated with the CO<sub>2</sub> removal plant should not be included until the Commission has the opportunity to hear arguments from interested parties on how the remand from the State Supreme Court should be handled and what the appropriate dollar impact should be. Second, this application includes a proposal to move "Bad Debts Related To Gas Costs" to pass through treatment. This change should be approved by the Commission before it automatically gets put into rates on an interim basis.

### **III Discussion:**

The major causes of the proposed reductions in this case are a reduction in the rate for amortizing the balance in the 191 account and lower gas prices. The rate to amortize the projected balance in the 191 account at year end drops from 58 cents to 6 cents. The projected cost of gas to be purchased decreases from \$164,392,576 to \$156,149,736. This filing also contains a decrease in the supplier non-gas portion of rates of 14.14%.

This is the second pass through case that incorporates price stability as a consideration, along with price and reliability, in acquiring natural gas supplies. Direct costs for hedging of \$916,630 are included as part of "Current Contracts" on Exhibit 1.2.

There are two unique items that are included in this docket that should not automatically be included in the interim rate change. The Division believes that controversial issues and issues that change policy as to what is allowed pass through treatment should not be allowed in interim rates in pass through cases. There is not sufficient time to analyze the proposals before the interim rates take effect. There is also insufficient time for the Commission to hold hearings where the applicant can put on testimony, others can present opposing testimony if they so desire, and the Commission can make a decision.

The Utah Supreme Court has sent the CO2 issue back to the Commission. This issue is probably going to have some controversy. There already appears to be some differences of opinion on the correct dollar amount. Taking this element out of the interim rates would reduce rates to Utah by an additional \$5.8 million. It would reduce the "Commodity Cost" portion of rates by \$0.06526. The impact on the typical residential customer would be an additional reduction to the annual bill of \$7.50. This would change the proposed percent reduction in the application from 11.21 percent to 12.19 percent.

The initial impression of the Division on the proposal to move "Bad Debt Related To Gas Costs" from general rates to pass through treatment is that it is probably a reasonable thing to do. However, this is a change in what is going to be allowed pass through treatment and should be ruled upon before automatically getting interim treatment.

The Division has only had time to do a quick review of the application. However, we recommend getting this decrease in rates timely, to be effective January 1, 2002. We will continue to review the application and supporting work papers and will report to the Commission if any significant additional information is discovered.

cc: Questar Gas Company, Jonathan M. Duke  
Committee of Consumer Services  
Ted Boyer, Executive Director  
Theresa Reinders