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Submitted: July 30, 2002

– BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH –

IN THE MATTER OF)	Docket No. 01-057-14
THE APPLICATION OF QUESTAR GAS)	
TO ADJUST RATES FOR NATURAL GAS SERVICE IN UTAH)	POSITION STATEMENT OF
)	QUESTAR GAS COMPANY
)	

Questar Gas Company (“QGC” or “the Company”) submits this Position Statement in response to the July 23, 2002, Memorandum to the parties in the captioned proceeding from the Public Service Commission. The Memorandum poses three questions related to the possible connection between the Rate Design Stipulation approved in Docket No. 99-057-20 and the recovery of certain CO₂ processing costs in the captioned proceeding:

1. Under the Allocation and Rate Design Stipulation in Docket No. 99-057-20 transportation customers bear some cost responsibility for CO₂ plant processing costs. If the CO₂ plant expenses that are the subject of this case are recovered through the 191 Account, would the transportation customers help pay for those costs consistent with the 99-057-20 stipulation?
2. It appears that paragraph 10 of the 99-057-20 stipulation controls cost recovery of CO₂ expenses, including the costs at issue in this docket. How does this occur through the 191 Account?
3. If there are difficulties in using the 191 Account for cost recovery, what other alternatives should be

considered? Can the costs be treated in the current Questar Gas rate case?

Background

This case has been designated, among other things, as the proceeding to determine the appropriate recovery of CO₂ processing costs incurred by QGC in connection with the decision and remand of that issue by the Utah Supreme Court in *Questar Gas Co. v. Public Service Comm.*, 2001 Utah 93, 34 P.3d 218 (“the CO₂ Case”).

The costs that were the subject of the CO₂ Case were incurred by QGC during the period from June 1999, when it first began to incur CO₂ processing costs, until August 11, 2001, when new general rates became effective pursuant to the Commission’s final order in *Questar Gas Co.*, Docket No. 99-957-20. For that 14-month period, the Commission had denied QGC’s request that the costs be recovered through the Account 191 procedures. However, through the CO₂ Stipulation that was submitted by the Division of Public Utilities and the Company in Docket No. 99-057-20 and approved by the Commission in its August 11, 2000, final order, QGC’s CO₂ processing costs have been recovered (and continue to be recovered) through the Company’s general rates.

In connection with the implementation of general rates on August 11, 2000— including CO₂ processing-cost recovery at the rate of \$5,000,000 annually—the Commission approved the Allocation and Rate Design Stipulation (“Rate Design Stipulation”). This agreement provided for the “spread” of the increases in rates among the various rate classes and, in ¶¶ 9-10 and Exhibit 1, specifically addresses the allocation of CO₂ costs to be recovered in QGC’s general rates. Specifically, it provides that transportation customers under Rate Schedules FT-2 and I-T are to be allocated a small percentage of the annual \$5,000,000 recovery. However, this allocation is effective *only in connection with the implementation of general rates August 11, 2000, pursuant to the Commission’s order*. The Rate Design Stipulation does *not* address in any way the allocation of CO₂ costs for the period prior to August 11, 2000.

Discussion

The CO₂ costs that are involved in the remand from the Supreme Court are those incurred *prior to* the implementation of the Docket No. 99-057-20 rates and the governing stipulations. The result of the Court’s decision

is the requirement that the costs incurred from June 1999 through August 10, 2000, are to be recovered through the 191 Account mechanism that was in place during that time.

Under the Company's Commission-approved tariff, the pass-through recovery of costs through the 191 Account is inherently targeted to the customers who purchase natural gas as a commodity, and the charges that are determined in this procedure are not part of transportation customers' billings.

Thus, there are totally disjoint rate mechanisms in operation for the pre- and post-August 11, 2000, periods:

(a) *From August 11, 2000, forward.* During this period, CO₂ costs have been, and are being, recovered in QGC's general rates and are subject to the Commission's August 11, 2000, order in Docket No. 99-057-20. This order requires, through the adoption of the Rate Design Stipulation, that QGC's transportation customers be allocated a small portion of the CO₂ processing costs. This mechanism is currently in place, and QGC's filing in the current rate proceeding in Docket No. 02-057-02 has incorporated the same general-rate treatment of CO₂ cost recovery.

(b) *From June 1999 through August 10, 2000.* QGC had sought to recover CO₂ processing costs through the pass-through mechanism of Account 191. The Supreme Court has ruled that this is a proper means to do so. Because there has been an agreed-on recovery of CO₂ costs through general rates after August 11, 2000, the Court's remand affects only the pre-August 11, 2000, period and requires that recovery be effected through the 191 Account tariff provisions that were effective during that period. QGC's tariff explicitly provides that 191 Account costs are to be recovered through the commodity and supplier non-gas (SNG) portions of QGC's rates.

The Rate Design Stipulation's assignment of a small portion of CO₂ cost recovery to transportation customers affects only the period from August 11, 2000, forward. By its terms, the Stipulation does not apply to any pre-August 11, 2000, period. Therefore, all CO₂ costs to be recovered for the June 1999 – August 2000 period are, pursuant to the Supreme Court's mandate, to be recovered through the then-extant version of QGC's 191 Account pass-through proceedings. They provide for no billing of costs under QGC's transportation rate schedules.

Specific Responses to Commission Inquiry

1. Under the Allocation and Rate Design Stipulation in Docket No. 99-057-20 transportation customers bear some cost responsibility for CO₂ plant processing costs. If the CO₂ plant expenses that are the subject of this case are recovered through the 191 Account, would the transportation customers help pay for those costs consistent with the 99-057-20 stipulation?

No. As discussed above, the Rate design Stipulation in Docket No. 99-057-20 does not have any application to the period prior to its adoption by the Commission on August 11, 2000.

2. It appears that paragraph 10 of the 99-057-20 stipulation controls cost recovery of CO₂ expenses, including the costs at issue in this docket. How does this occur through the 191 Account?

As explained, the costs in this docket are only related to the pre-August 11, 2000, period, and the Docket No. 99-057-20 Rate Design Stipulation does not control cost recovery for any period prior to that date.

3. If there are difficulties in using the 191 Account for cost recovery, what other alternatives should be considered? Can the costs be treated in the current Questar Gas rate case?

In view of the Supreme Court's opinion on the issue, QGC does not perceive any impediment to the use of the 191 Account; indeed, it appears to be required by that opinion. Further, the current general rate case in Docket No. 02-057-02 is predicated on costs and revenues for a prospective period, with rates to be effective on or about January 1, 2003. The disposition of the Court's remand should be an independent, disjoint determination that uses the 191 Account mechanism that was the subject of the Supreme Court's opinion.

Respectfully submitted this 30th day of July 2002.

QUESTAR GAS COMPANY

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CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of July, 2002, I caused to be mailed, first class, postage prepaid, a true and correct copy of the foregoing **POSITION STATEMENT OF QUESTAR GAS COMPANY** to the parties on

the official service lists in Docket Nos. 99-057-20 and 01-057-14:

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