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December 11, 2002

Utah Public Service Commission
Heber M. Wells Building, Fourth Floor
Salt Lake City, Utah 84111

Dear Mr. Chairman and Commissioners:

Re: Docket No. 02-057-02 Settlement Agreement Compliance Filing

Questar Gas Company (QGC or the Company) respectfully submits the following updated information in compliance with ¶¶ 4-6 of the Revenue Requirement Stipulation and Settlement (Revenue Stipulation) filed with the Commission on October 16, 2002, by QGC, the Division of Public Utilities (Division) and the Committee of Consumer Services (Committee) (collectively, the Parties).[1]

The Issues to Be Updated

Usage per Customer (¶ 4). The Parties agreed that the annual revenue deficiency should incorporate the actual temperature-adjusted usage per GS-1 customer for the 12 months ended November 30, 2002. Attached to this filling is Settlement Exhibit 4U.[2]

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[1]Although other parties in the case did not execute the Revenue Stipulation, no party has opposed its adoption and approval.

[2]Exhibits made a part of this filing use suffix "U" to indicate that the information updates the materials presented during the hearings.

Page 1 of the exhibit, "Temperature-adjusted Usage Per GS-1 Customer," shows that the annual per-customer usage for the period ended November 30, 2002, was 115.51 deca therms. This is 0.65 decatherms per customer per year less than the 116.16 decatherms that QGC had projected in its May 3, 2002, filing for year-end 2002.

As shown on page 2 of Settlement Exhibit 4U, this 0.65-decatherm difference requires a revenue-deficiency increase of $598,800 over the amount previously set forth in Settlement Exhibit 1.

2002 Section 29 Tax Credits (¶ 5). The Parties agreed to modify the stipulated revenue requirement as necessary to reflect the actual status of federal tax laws dealing with certain gas-production tax credits under IRC § 29. QGC requests that the Commission take administrative notice of the adjournment of the 107th Congress of the United States on November 22, 2002,[3] and that the Congress took no final action on any proposed or pending legislation that would extend, restore or replace the gas-production tax credit provisions that will expire on December 31, 2002.

Because Settlement Exhibit 1 was developed with the assumption that there would be no tax-credit legislation enacted before January 1, 2003, no modification to the revenue requirement for this issue is necessary.

Property-insurance Costs. The Parties recognized that QGC's expenses for property insurance during the rate-effective period in this case would be determined by negotiation and final agreement with insurance carriers in November 2002, after the close of the hearings but before the end of the test year. Settlement Exhibit 5U, "Property Related Insurance Cost Annualization," summarizes the effects of final negotiations with insurance carriers on QGC's expenses, comparing the actual results with the value of $614,000 that had previously been agreed to as a tentative increase (line 9). The actual increase in revenue requirement relative to the Company's original filing is $104,000, or $510,000 less than had been tentatively agreed to by the Parties in Settlement Exhibit 1.

QGC's property insurance coverage is provided as part of the corporate-wide coverage obtained by Questar Corporation. As expected, there was a major increase in total property-insurance premiums paid by the Corporation. This increase was quite close to the original projections made by the Company and the Division, but the

[3] That body will reconvene in January 2003 as the 108th Congress.

increased premiums were attributable primarily to the properties of Questar Pipeline Company and Questar Market Resources, with the result that the revenue deficiency in the Revenue Stipulation will be reduced by $510,000.

Settlement Exhibit 1U

Settlement Exhibit 1, attached to the Revenue Stipulation, sets forth by line item the adjustments to the revenue deficiency that were agreed to by the Company, the Division and the Committee. These are adjustments to the corresponding values filed by the Company in its original application for rate relief in this proceeding. However, lines 36-38 of Settlement Exhibit 1 (corresponding to ¶¶ 4-6 of the Revenue Stipulation) were subject to modification, pending the receipt and processing of additional information after the close of the hearings, as described above.

Attached as a part of this filing is the update to Settlement Exhibit 1, designated as Settlement Exhibit 1U. Settlement Exhibit 1U incorporates the updated information about the three issues identified in ¶¶ 4-6 of the Revenue Stipulation. Changes to these entries, in turn, produce changes in the revenue-deficiency calculations that follow on lines 39-41, 55, 63 and the table in footnote 3 of Settlement Exhibit 1U. (Entries on Settlement Exhibit 1U that are different from the corresponding Settlement Exhibit 1 entries have been highlighted.)

If there are any questions about this information, please contact me, Jon Duke (324-5938), Barrie McKay (324-5491) or Gary Robinson (324-5079).

Respectfully submitted,

JONES, WALDO, HOLBROOK & MCDONOUGH, P.C.

Gary G. Sackett

cc: Parties of Record,
Docket No. 02-057-02