- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF QUESTAR GAS COMPANY TO ADJUST RATES FOR NATURAL GAS SERVICE IN UTAH	)))	Docket No. 03-057-05 APPLICATION

Questar Gas Company (Questar Gas or the Company) respectfully submits for Utah Public Service Commission (Commission) approval this application for an adjustment to the commodity and supplier non-gas cost portions of its Utah natural gas rates pursuant to Utah Code Ann. §§ 54-4-1 (2000) and 54-7-12(2)(d)(Supp. 2002).

This passthrough application reflects Utah gas costs of $483,696,978. The proposed adjustments are a $142,191,000 increase in the commodity portion, and a $4,166,000 increase in the supplier non-gas portion of rates. The net effect of these adjustments will be a $146,357,000 increase in revenues. This increase is primarily the result of purchased gas prices for the Rocky Mountain region increasing dramatically. The Company is also requesting that the current 191 Account credit amortization be removed in an effort to keep the 191 Account more in balance at year-end.

If the Commission grants this application, the typical residential customer using 115 decatherms per year will see an increase in the average monthly bill of $14.25 (or 24.57%). The Company proposes to implement this request by charging the new rates effective July 1, 2003.

In support of this application, Questar Gas states:

1. Questar Gas' Operations. 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 Commission, and the Company's present rates, charges, and general conditions for natural gas service in Utah are set forth in Questar Gas' PSC Utah Tariff No. 400. 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 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 and 54-7-12(2).

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 §2.10 of Questar Gas' PSC Utah Tariff No. 400, Pages 2-11 thru 2-17, which sets forth procedures for recovering gas costs shown in Account No. 191 by means of periodic and special adjustments to rates and an annual amortization of the year-end balance in that account.

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 June 30, 2004.

5. Cost of Questar Gas 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 Agreement. System-wide, total costs for Questar Gas' production are expected to be $153,212,279, as shown in Exhibit 1.1, page 17. These costs are composed of the following elements:

(a) Royalty Payments. During the test-year, Questar Gas will make system-wide royalty payments of $42,113,257 on Company-owned gas produced by Wexpro as shown on Exhibit 1.1, page 17. These royalty payments are based on Integrated Resource Plan (IRP) volumes for the 12-month period ending June 2004 and the Global Insight (formerly DRI-WEFA) May 2003 price forecast for the test period.

(b) Operator Service Fee. Questar Gas is obligated to pay Wexpro an operator service fee for operating Questar Gas wells. The operator service fee for gas produced from productive gas wells for Questar Gas by Wexpro and the costs of gas purchased from Wexpro oil wells is expected to be $111,099,022 system-wide as shown on Exhibit 1.1, page 17.

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to total $277,791,877 as shown in Exhibit 1.2, line 6. For this test-year, purchased gas costs are projected to average $5.40882/Dth. These costs are based on projected gas purchase volumes, existing contract terms (including estimated price stability costs), and Global Insight's May 2003 price forecast for the test year. These costs are comprised of the following elements:

(a) Questar Gas currently expects to purchase 36,937,700 Dths under existing contracts at a total cost of $207,136,043 shown in Exhibit 1.2, line 3. Included in these costs, in accordance with the Stipulation the Commission approved in Docket Nos. 00-057-08 and 00-057-10, is $1,800,000 associated with portfolio stabilization measures. The Company plans to purchase contracts with a price cap for about 1/3 of the gas purchased in the October 2003 to March 2004 period. The Company will enter into fixed-price contracts for about 1/3 of the gas purchased for the October 2003 to March 2004 period. The remaining 1/3 of the purchased gas for this period will be priced at first-of-month index prices along with all of the gas purchased for the April to September period.

(b) In addition to current contracts, Questar Gas anticipates buying 12,368,424 Dths on the spot market at a total estimated cost of $59,712,937. (Exhibit 1.2, line 4)

(c) Also, to fulfill total purchased gas requirements of 51,359,044 Dths, Questar Gas expects to contract for an additional 2,052,920 Dths at a total estimated cost of $10,942,897 as shown on Exhibit 1.2, line 5.

7. Transportation and Gathering 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 $68,467,901, as shown in Exhibit 1.3, page 1, line 28. The transportation (as well as storage) costs are based on upstream pipelines' rates. These costs are comprised of the following elements:

(a) Questar Pipeline and Kern River Demand Rates. Annual transportation demand charges to transport produced and purchased gas are calculated to be $59,876,990 system-wide. (Exhibit 1.3, page 1, line 15). In order to meet our customers' peak day demand, the Company has entered into an additional contract with Questar Pipeline for Tie Line 112 firm transportation capacity of 52,000 Dth/D at the QPC tariff rate, as discussed in the 2001, 2002 and 2003 IRP's.

Also included is a projected capacity release credit of $3,320,995. (Exhibit 1.3, page 1, line 8)

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this case reflect the level of Company-owned production and purchased contract gas transported during the test period. Transportation commodity charges are calculated to be $1,387,219. (Exhibit 1.3, page 1, line 23)

(c) Gathering. Questar Gas uses expected production and gathering volumes for the test period to compute gathering charges. The recovery of the majority of gathering costs under the system-wide agreement with Questar Gas Management Company (QGM) was moved from the gas cost portion of rates to the distribution non-gas cost portion of rates as provided for in Docket Nos. 95-057-30, 96-057-12, and 97-057-11. The remaining portion of gathering, CO_2 processing which was moved to the 191 Account in Docket No. 02-057-02 and other transportation costs are included in the gas cost portion of rates. For the test-year these costs are calculated to be $7,203,693 system-wide. (Exhibit 1.3, page 1, line 27)

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 $16,762,971 as shown in Exhibit 1.3, page 2, line 30. The components of these costs are the following:

(a) Storage Demand. The demand component of storage is calculated to be $14,025,058. (Exhibit 1.3, page 2, line 7)

(b) Storage Commodity. The charges during the test-year for injections to and withdrawals from peaking storage and Clay Basin storage fields are calculated to be $481,817. (Exhibit 1.3, page 2, line 13)

(c) Working Storage Gas. Working storage gas cost for the most recent 13 months is $2,256,096. (Exhibit 1.3, page 2, line 29)

9. Summary of Questar 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 Docket No. 80-057-10 and as revised in Docket No. 01-057-14. Other revenues of $7,019,866 are the actual amounts for the most recent 12 months as shown in Exhibit 1.4, page 3, line 8. 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 $483,696,978 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 $483,696,978 which is then adjusted by F-3, I-2, I-4, IS-2, and IS-4 commodity credits for a total of $451,618,550. (Exhibit 1.6, page 1, line 5.) The portion of expected test-year gas costs to be recovered

on a commodity basis is $377,235,960. (Exhibit 1.6, page 1, line 10.) The corresponding unit cost of gas applicable to Utah rates is $4.21927/Dth. (Exhibit 1.6, page 1, line 11.)

11. Amortization of Account No. 191 Balance. Currently included in Questar Gas' gas cost rate is a commodity amortization credit of $0.01458/Dth approved by the Commission in Docket No. 02-057-13. Questar Gas proposes to remove this amortization in rates in an effort to be less under-collected by year-end 2003 in the 191 Account. (Exhibit 1.6, page 1, line 12.) The treatment of the supplier non-gas cost portion of Account No. 191 is also described in paragraph 13.

12. Net Unit Commodity Cost. The net result of the changes in gas costs summarized in paragraph 10 and the Account No. 191 amortization discussed in paragraph 11 yields a unit commodity cost of $4.21927/Dth for firm customers, an increase of $1.44070/Dth. (Exhibit 1.6, page 1, line 13).

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 cost billings 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 of $74,382,590 (Exhibit 1.6, page 2, line 1) are adjusted by subtracting $5,473,771, which is the credit (over-collected) balance in the actual year-end 2002 supplier non-gas portion of Account No. 191. The result is a total of $68,908,819 of supplier non-gas costs. (Exhibit 1.6, page 2, line 3.) Current rates are estimated to recover $64,743,493 in supplier non-gas costs. (Exhibit 1.6, page 2, line 4.) Questar Gas therefore proposes applying a uniform percentage increase of about 6.544% to the supplier non-gas cost component of firm sales rates. (Exhibit 1.6, page 2, line 7.)

14. Change in Typical Customer's Bill. The annualized consolidated change in rates proposed in this application is a 24.57% increase, or, an average monthly increase of $14.25 per month for the typical Utah GS-1 residential customer using 115

decatherms per year. The projected month-by-month changes in rates are shown in Exhibit 1.7.

15. Proposed Rate Schedules. Questar Gas' proposed Utah rate schedules reflect the combination of the changes in commodity costs and supplier non-gas costs allocable to Utah customers. (Exhibit 1.8.) The rate schedules FT-2, IT, and IT-S have been added to this exhibit. By order in Docket 02-057-02 these schedules now include a rate related to the recovery of CO_2 processing costs. This amortization rate has been adjusted from an amortization of $0.01158/Dth to $0.01503/Dth to reflect the projected volumes customers on these schedules are anticipated to use during the remaining period of CO_2 collection.

16. 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 net profits or rate of return except for the return on working storage gas which was approved by the Commission in Docket No. 93-057-01.

17. Exhibits. Questar Gas submits the following exhibits in support of its request for an adjustment to 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 Cost
Exhibit 1.3	Test-Year Transportation, Gathering, and Storage Charges
Exhibit 1.4	Summary of Test-Year Questar Gas Costs and Other Revenues Credits
Exhibit 1.5	Test-Year Gas Cost Allocation
Exhibit 1.6	Test-Year Gas-Cost Change
Exhibit 1.7	Effect on Typical GS-1 Customer
Exhibit 1.8	Proposed Statement of Rates
Exhibit 1.9	Questar Pipeline FERC Tariff Schedules

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with Utah statutes and the Commission's rules and procedures:

1. Enter a final order authorizing Questar Gas to implement rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $483,696,978, as more fully set out in this application in Exhibit 1.8, and;

2. Authorize Questar Gas to implement its adjusted rates effective July 1, 2003;

DATED this 30th day of May 2003.

Respectfully submitted,

QUESTAR GAS COMPANY

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Colleen Larkin Bell (5253)
Attorney for the Applicant
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

STATE OF UTAH)
:
COUNTY OF SALT LAKE)

Alan K. Allred, being first duly sworn upon oath, deposes and states: He is the President and Chief Executive Officer of Questar Gas Company; he has read the foregoing application; and the statements made in the application are true to the best of his knowledge and belief.

____

Alan K. Allred

Subscribed and sworn to before me this 30th day of May 2003.

Notary Public
Residing in Salt Lake City, Utah

APPLICATION OF QUESTAR	)	
GAS COMPANY TO ADJUST	)	Docket No. 03-057-05
RATES FOR NATURAL GAS	)	
SERVICE IN UTAH	)	APPLICATION

All communications with respect to
these documents should be served upon:

Colleen Larkin Bell (5253)
Attorney for the Applicant

180 E. 100 South
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

Draft #1	5/28/03	JEK
Draft #2	5/30/03	JEK, BLM, CEG
Draft #3	5/30/03	JEK, CEG, BLM, AKA, CLB

APPLICATION
AND
EXHIBITS
May 30, 2003

QUESTAR GAS COMPANY
180 East First South
P. O. Box 45360
Salt Lake City, Utah 84145-0360

PROPOSED RATE SCHEDULES

P.S.C. Utah No. 400
Affecting All Sales Rate Schedules
and Classes of Service in
Questar Gas Company's
Utah Service Area

Date Issued: May 30, 2003
To Become Effective: July 1, 2003

QUESTAR GAS COMPANY

By ____
Alan K. Allred
President and Chief Executive Officer
Questar Gas Company