APPLICATION OF QUESTAR)		
GAS COMPANY TO ADJUST)		Docket No. 05-057-11
RATES FOR NATURAL GAS)		
SERVICE IN UTAH	)	APPLICATION

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Draft #1 9-1-05 JEK
Draft #2 9-6-05 GLR
Draft #3 9-6-05 CLB
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Draft #5 9-8-05 AKA, BLM, CLB, GLR, JEK

APPLICATION
AND
EXHIBITS
September 8, 2005

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF QUESTAR	)	
GAS COMPANY TO ADJUST	)	Docket No. 05-057-11
RATES FOR NATURAL GAS	)	
SERVICE IN UTAH	)	APPLICATION

Questar Gas Company (Questar Gas or the Company) respectfully submits to the Utah Public Service Commission (Commission) for approval this application for an adjustment to the commodity and supplier non-gas cost portions of its Utah natural gas rates.

The Company's Tariff No. 400, Section 2.10, provides for pass-through applications to be filed "no less frequently than semi-annually." Since the May 6, 2005, pass-through filing, purchased gas prices have continued to increase significantly in the Rocky Mountain region from levels reflected in current rates.

This pass-through application reflects Utah gas costs of $744,993,565. This represents an increase of $96,133,000, which includes an increase of $95,993,000 in the commodity rates, which is the result of higher gas costs due to the rising market prices of natural gas and an increase of $140,000 in the supplier non-gas (SNG) portion of rates.

If the Commission grants this application, the typical residential customer using 115 decatherms per year will see an increase in their average monthly bill of $11.56 (or 13.37%). The Company proposes to implement this request by charging the new rates effective October 1, 2005.

In August 2004, the PSC disallowed the inclusion of certain past gas-processing costs in customer rates and ordered Questar Gas to refund the costs of certain gas processing. The result of the August 2004 order was that most customers have seen a line-item credit on their bills for the past 12 months titled "PSC-ordered gas-processing refund." The refund obligation has been satisfied and the $0.28567/Dth refund has been removed from rates proposed in this case.

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 (2000) and to the extent applicable § 54-7-12 (2004).

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 September 30, 2006.

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 $204,252,568, as shown in Exhibit 1.1, page 13. These costs are comprised of the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make system-wide royalty payments of $61,900,115 on Company-owned gas produced by Wexpro. These royalty payments are based on projected volumes for the test year and the Global Insight (formerly DRI-WEFA) August 2005 price forecast for the test year.

(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 $142,352,453 system wide.

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to total $533,598,375 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $8.24113/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, amendments to cap prices for price stability, and Global Insight's August 2005 price forecast for the test year. These costs are comprised of the following elements:

(a) Questar Gas currently expects to purchase 37,542,200 Dths under existing contracts at a total cost of $315,119,727 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 $2,000,000 associated with projected amendments to establish capped prices in the upcoming test year. For this year's heating season, the Company anticipates entering into contracts or amendments to fix prices for about one-third of the gas purchased for the period from October 2005 – March 2006. Another one-third of gas purchases for the period from October 2005 - March 2006 will remain priced at first-of-month index prices along with all of the gas purchased for the remaining test year. The Company is considering entering into purchase contracts with a cap for another one-third of the gas purchased for the same period. However, at this time market conditions for price caps are not favorable. If price caps are not used, attempts will be made to purchase more gas under fixed price contracts.

(b) Also, Questar Gas expects to contract in the future for an additional 20,318,386 Dths at a total estimated cost of $165,999,543 as shown on Exhibit 1.2, line 5.

(c) In addition to current and future contracts, Questar Gas anticipates buying 6,887,607 Dths on the spot market at a total estimated cost of $52,479,106. (Exhibit 1.2, line 4.)

7. Transportation, Gathering and Processing 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 $68,110,389, as shown in Exhibit 1.3, page 1, line 20. 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 $62,966,017 system wide. (Exhibit 1.3, page 1, line 9.)

Also included is a projected capacity release credit of $1,686,486. (Exhibit 1.3, page 1, line 4.)

(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 year and current FERC approved rates. Transportation commodity charges are calculated to be $1,042,927. (Exhibit 1.3, page 1, line 16.)

(c) Other Gathering, Processing and Transportation Charges. Questar Gas uses expected production and gathering volumes for the test year to compute gathering charges. The proposed recovery of gathering costs under the system-wide agreement with Questar Gas Management Company (QGM) will be discussed in paragraph 15 of this application.

Other gathering and processing charges and transportation charges are $2,050,800 and $2,050,645 respectively. (Exhibit 1.3, page 1, lines 17-18.)

(d) Costs to manage the heat content of gas. Costs to manage the heat content of gas supplies reaching the Price, Payson, and Indianola city gates are estimated to be $5,700,000 for Utah customers during the test year. With this application and its applications in Docket Nos. 03-057-10, 03-057-14, 04-057-04, 04-057-11, 04-057-13, 05-057-01 and 05-057-06, the Company continues to seek recovery of these costs from and after December 30, 2002. This is the date that these types of costs were moved from the general portion of rates to the commodity portion (191 Account) of rates. (See the Allocation and Rate Design Stipulation and Settlement that was approved by this Commission in Docket No. 02-057-02 on December 30, 2002.)

The Commission has initiated Docket No. 04-057-09 to determine a long-term solution "consistent with [Questar's] obligation to provide safe commodity and service to its customers." Following seven technical conferences, the Company filed an Application in Docket No. 05-057-01 on January 31, 2005, requesting cost recovery in the 191 account for costs to manage the heat content of gas. Testimony and exhibits were filed on April 15, 2005. Pending final resolution of this matter, the Company continues to request recovery of these costs but has not included these costs in the proposed rates in this case.

(e) Summary of Other Costs. For the test-year, other gathering, processing and transportation costs are calculated to be $4,101,445 system wide. (Exhibit 1.3, page 1, line 19.)

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 $18,580,349 as shown in Exhibit 1.3, page 2, line 25. 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 4.)

(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 $476,137. (Exhibit 1.3, page 2, line 9.)

(c) Working Storage Gas. The return on working storage gas for the most recent 13 months is $4,079,154. (Exhibit 1.3, page 2, line 24.)

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 $32,891,937 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 $744,993,565 in gas costs for Utah. (Exhibit 1.5, line 13.)

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 $744,993,565. These costs are adjusted by F-3, I-2, I-4, IS-2, and IS-4 commodity credits for a total of $729,774,396. (Exhibit 1.6, page 1, line 5.) The portion of expected test-year gas costs to be recovered on a commodity basis is $650,481,525. (Exhibit 1.6, page 1, line 10.) The corresponding unit cost of gas applicable to Utah rates is $6.52227/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 debit of $0.32215/Dth approved by the Commission in Docket No. 05-057-06. The Company proposes to continue to amortize the commodity portion of the balance with a $0.32215/Dth debit amortization. (Exhibit 1.6, page 1, line 12.) The treatment of the supplier non-gas cost portion of Account No. 191 is 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 $6.84442/Dth for firm customers, an increase of $0.92563/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 $79,292,871 (Exhibit 1.6, page 2, line 1) are adjusted by adding $2,152,269, which is the actual year-end debit (under-collected) balance in the supplier non-gas portion of Account No. 191. The result is a total of $81,445,140 of supplier non-gas costs. (Exhibit 1.6, page 2, line 3.) Current rates are estimated to recover $81,991,515 in supplier non-gas costs. (Exhibit 1.6, page 2, line 4.) Questar Gas, therefore, proposes applying a uniform percentage decrease of about .669% 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 calculated in this application is a 13.37% increase, or, an average monthly increase of $11.56 per month for a 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. Gathering Costs Under the System-Wide Agreement. As was previously explained in paragraph 7(c) of this application, Questar Gas uses expected production and gathering volumes for the test year to compute gathering charges for its Company-owned production volumes. In June of 1999, the gathering costs under the system-wide agreement with Questar Gas Management Company (QGM) were moved from the gas cost portion of rates to the distribution non-gas (DNG) cost portion of rates in Docket Nos. 95-057-30, 96-057-12, and 97-057-11. In an effort to properly match these costs with the decatherms that are being gathered, to allow for better cost tracking and comparability, and to be consistent with the other jurisdictions, it is proposed that these gathering charges be moved back to the SNG portion of rates. This proposal was discussed with the Division of Public Utilities (DPU), Committee of Consumer Services (CCS) and Commission Staff during the monthly gas market update meetings on July 12, 2005 and August 9, 2005. Recommendations from these meetings have been incorporated in this proposal.

These expenses were last included in general rates in Docket No. 02-057-02. In that case, $0.07902/Dth ($7,006,619/88,671,399) was included in the DNG portion of rates for the firm sales customers. In this case, the Company proposes to remove $0.07902/Dth from the DNG rates of the GS-1, GSS, F-1, F-4, NGV, T-1 and E-1 rates schedules and $.04744/Dth for the F-3 commodity rate. At the same time, and by the same amount per decatherm, the SNG rates are proposed to be increased. As a result of this change, the total rate proposed in this case associated with these gathering expenses is exactly the same. The revenue collected by the Company with regards to these costs will not change as a result of this proposal. Actual gathering expenses, however, will now flow through the 191 Account and recovery of these expenses will be in pass-through cases.

16. Proposed Rate Schedules. Questar Gas' proposed Utah rate schedules reflect the combination of the changes in distribution non-gas costs, commodity costs and supplier non-gas costs allocable to Utah customers. (Exhibit 1.8.)

17. 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.

18. Exhibits. Questar Gas submits the following exhibits in support of its request for an adjustment in 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 Costs
Exhibit 1.3	Test-Year Transportation, Gathering, Processing and Storage Charges
Exhibit 1.4	Summary of Test-Year Gas Related Costs and Revenues Credits
Exhibit 1.5	Test-Year Gas Cost Allocation
Exhibit 1.6	Test-Year Gas Cost Change
Exhibit 1.7	Effect on GS-1 Typical 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 an order authorizing Questar Gas to implement rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $744,993,565, as more fully set out in this Application in Exhibit 1.8; and

2. Fully adjudicate the matter of Questar Gas' actual costs to manage the heat content of its gas supplies from December 30, 2002, forward as requested in this Application and others as referenced in this Application, and in conjunction with Docket No. 04-057-09; and

3. Authorize recording the system-wide gathering agreement costs in the SNG portion of the 191 Account; and

4. Authorize Questar Gas to implement its adjusted rates effective October 1, 2005.

DATED this 8th day of September 2005.

Respectfully submitted,

QUESTAR GAS COMPANY

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Salt Lake City, Utah 84145-0360
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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 8th day of September 2005.

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Notary Public
Residing in Salt Lake City, Utah

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: September 8, 2005
To Become Effective: October 1, 2005

QUESTAR GAS COMPANY

By ____
Alan K. Allred
President and Chief Executive Officer