M E M O R A N D U M

To: Public Service Commission

From: Division of Public Utilities
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      Energy Section
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Date: May 29, 2007

Subject: Questar Gas Amortization of CET Tariff, Docket No. 07-057-03.

ISSUE:

Questar Gas Company (QGC) filed on May 4, 2007 an application with the Public Service Commission (PSC) to amortize the CET balance and adjust the DNG rates for the GS-1 and GSS rate classes. The requested amount to amortize is $844,035. If approved by the PSC, a typical residential customer, assuming a usage of 80 decatherms per year, will see an average increase in their annual bill of $1.92 for 0.27% increase.

RECOMMEND APPROVAL:

The Division has reviewed the revised tariff sheets for the GS-1 and GSS rate classes and verified that the revised DNG rates will collect the $844 thousand shortfall and recommends to the Commission they approve the revised tariff sheets as filed.

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DISCUSSION:

The Division requested and received from QGC copies of the worksheets used to calculate the amortization rates for the GS-1 and GSS rate schedules as well as the entries into the 191.9 account to verify the under collected balance of $844,035. The sales volumes used to calculate the amortization rate are the same sales volumes used in the 191 pass-through application in Docket No. 07-057-02 which is also before the Commission.

The methodology used to calculate the rate is the same that was used in Docket No. 06-057-10 when the rate to amortize the initial $1.1 million credit was calculated.

In reviewing the calculations for the GS-1 and GSS rate schedules, the Division does have some concerns regarding the methods used to calculate the GSS rate schedule. This concern deals with the fact that the GSS rate adjustments continue to approximately double the increase or decrease of the GS-1 rate adjustment.

In the original CET tariff filing in Docket No. 06-057-10 which reflected the $1.1 million credit, the GS-1 rate was decreased $0.01355/Dth for block #1 volumes and $0.00551/Dth for block #2 volumes, while the GSS rate was decreased $0.02767/Dth. These decreases were the same for both summer and winter rates. The filing in this Docket shows the GS-1 rate increasing $0.02442/Dth for block #1 rates and $0.01002/Dth for block #2 winter rates and $0.02271/Dth for block #1 and $0.00891/Dth for block #2 summer rates. The GSS rates increase $0.04902/Dth in the winter and $0.04841/Dth for the summer. This is shown in the table below.

		Col A	Col B	Col A minus B
GS-1	Winter			
	Blk #1	$0.01087	-0.01355	**$0.02442**
	Blk #2	$0.00451	-0.00551	**$0.01002**
	Summer			
	Blk #1	$0.00916	-0.01355	**$0.02271**
	Blk #2	$0.00340	-0.00551	**$0.00891**
GSS	Winter			
	Blk #1	$0.02135	-0.02767	**$0.04902**
	Summer			
	Blk #1	$0.02074	-0.02767	**$0.04841**

Col A. are rates needed to amortize the $844,035 over next 12 months

Col B. are rates in effect to amortize the original $1.1 credit

Col C are current effective rates which combines Col A
and reverses Col B rates.

Although the "double margin" concept of the GS-1 rate has been the practice over the years with the GSS rates, in seems more appropriate theoretically, especially in light of the recent hearings and the Commission order in Docket No. 06-057-T04 in which the costs of service for the GSS rate were discussed, that the GSS rate "premium" should be a fixed rate that is added to the GS-1 rates for the GSS rate class, since the original costs to provide the service to the GSS rate class have not changed over time. This is something the Division wishes to address in the next general rate case of QGC as well as some modification to the EAC charges time table.

Cc: Questar Gas Company

           Committee of Consumer Services

           Rea Petersen

           Francine Giani, Department of Commerce