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M E M O R A N D U M

To: Public Service Commission

From: Division of Public Utilities
Jeffrey P. Millington, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Carolyn Roll, Utility Analyst
Artie Powell, Manager

Date: October 18, 2007

Subject: Questar Gas Amortization of CET Tariff, Docket No. 07-057-10.

ISSUE:

Questar Gas Company (QGC) filed on October 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 $3,498,253. 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 $2.60 for 0.36% increase.

RECOMMEND APPROVAL:

The Division has reviewed the revised tariff sheets for the GS-1 and GSS rate classes. The Division has verified that the revised DNG rates will amortize the $3,498,000 based on the projected sales volumes and recommends to the Commission they approve the revised tariff sheets on an interim basis as filed.

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DISCUSSION:

The Division requests this rate increase is granted on an interim basis until the Division has had an adequate opportunity to review and audit the procedures and rates used in QGC's billing system to determine the actual revenue amounts used in the monthly CET accrual entries. After the review of the billing system, the Division will provide a memo to the Commission recommending whether or not the amortization rates should become permanent.

The Division has 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 $3,498,253. The sales volumes used to calculate the amortization rate are the same sales volumes used in the 191 pass-through application in Docket No. 07-057-09 which is also before the Commission. The methodology used to calculate the rate is the same that was used in Docket No. 07-057-03 to amortize the $844,000 request. This is an incremental request of $2,654,000 over the previous request of $844,000.

Stipulation Cap Review: Per the stipulation, "Through August 2007, the Company may not amortize CET accruals amounting on a net basis to more than 0.5% of total Utah Jurisdictional GS revenues based on the most recent 12-month period at the time of the amortization. Through August 2007, the Company may not accrue a net amount to the CET balancing account for amortization that totals more than 1.0% of the total Utah Jurisdictional GS revenues based on the most 12-month period."[1] The 12-month Utah Jurisdictional GS revenue, through August 2007, is approximately $809,458,000.[2] 1% of this amount is approximately $8,095,000. Total 12-month CET accrual, through August 2007, is approximately $2,441,000. The 12-month amortization limit through August

[1] Paragraph 11, Settlement Stipulation, Docket No. 05-057-T01.
[2] Page 18, Questar Gas Financial Reports, August 2007.

2007 is approximately $4,047,000. The amount to be amortized, per this request, is $3,498,000. The August 2007 12-month total amount actually amortized is approximately $968,000. The amounts deferred into the CET account, the amount requested for amortization and the total amount amortized fall within these guidelines. On a going forward basis, the Division wishes to meet with the Company and the Committee within the next couple of weeks to insure all parties have the same interpretation of these limits should the Commission wish to retain amortization and accrual caps. The Division will report back on this meeting.

The incremental increase in the GS-1 DNG rate is $0.03414 for the winter rate and $0.02875 for the summer rate. If the Commission approves this filing, the increase will adjust the total winter DNG rate to $2.00494/Dth and the summer rate to $1.68864/Dth. This will increase a typical GS-1 customer's annual bill by $2.60 exclusive of the 191 gas cost rate decrease.

The Division is still concerned about the "double margin" rate calculation for the GSS rate class used over the past several years. This filing will increase the GSS summer rate by $0.06512/Dth and the winter rate by $0.06705. The Division hopes to resolve this issue in the next general rate case by recommending that the GSS class have the same DNG rate as the GS-1 which will adjust the same as the GS-1 rate plus a "double margin" rate that is static and limited to the rate originally calculated for this rate class when their service began.

Cc: Barrie McKay, Questar Gas Company
Michele Beck, Committee of Consumer Services
Rea Petersen, Division of Public Utilities
Francine Giani, Department of Commerce