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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION NON-GAS RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 07-057-13  <b>REVENUE REQUIREMENT STIPULATION</b>
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Pursuant to Utah Code Ann. § 54-7-1 and Utah Administrative Code R746-100-10.F.5, Questar Gas Company (“Company”), the Division of Public Utilities (“Division”), Committee of Consumer Services (“Committee”), Utah Association of Energy Users Intervention Group (“UAE”) and Central Valley Water Reclamation Facility (“Central Valley”) (collectively, “Parties”) submit this Stipulation in resolution of the revenue-requirement issues except return on equity (“ROE”) in this proceeding.

## I. PROCEDURAL HISTORY

1. On December 19, 2007, Questar Gas Company (“Questar Gas” or “Company”) filed an application and direct testimony with the Commission seeking an increase in its Utah rates in the annual amount of \$26,966,000 based on a proposed July 1, 2008 through June 30, 2009 test year. This application contained Questar Gas’ recommendations regarding allocation of Questar Gas’ revenue requirement among rate classes and recommended rate design for all customer classes.

2. On December 27, 2007, the Commission issued its Scheduling Order, dividing the case into phases and issues and setting dates for filing testimony, technical conferences, settlement conferences and hearings on various issues.

3. On February 8, 2008, the Commission conducted an evidentiary hearing on the test year to be used in this case. On February 14, 2008, the Commission issued its Order on Test Period, directing the Company and the parties to use a calendar year 2008 test period and requiring the Company to file updated testimony consistent with the ordered test period.

4. On February 28, 2008, the Company filed updated testimony revising its rate-increase request to \$22,157,542 based on the 2008 test year.

5. On March 31, 2008, the Division, Committee, UAE, and Roger J. Ball (“Ball”) filed their direct testimony on rate of return issues in response to the Company’s testimony filed on December 19, 2007 and updated on February 28, 2008. On April 21, 2008, the Division, Committee, UAE and Ball filed their direct testimony on other revenue requirement issues in response to the Company’s testimony filed on December 19, 2007 and updated on February 28, 2008. As a result of these filings, the Division recommended a rate increase of \$5,405,409, and the Committee recommended a rate increase of \$97,637. The UAE recommended specific

adjustments in the amount of \$994,889 to the Company's proposed rate increase and also recommended that the Commission consider the analysis presented in their rate of return testimony in determining "where within the range of reasonable returns QGC's return on equity should be set." The UAE did not propose a specific level of overall rate increase in this case.

6. On April 28, 2008, the Company, Division and Ball filed rebuttal testimony on rate of return issues.

7. On May 12, 2008, the Division, Committee, UAE and Ball filed surrebuttal testimony on rate of return issues.

8. On May 6, 2008, the Parties held a settlement conference in accordance with the Commission's Scheduling Order. Subsequently, the Parties have continued to engage in confidential settlement discussions and have reached agreement on all revenue requirement issues other than ROE.

## **TERMS AND CONDITIONS**

### **Revenue Requirement in this Docket**

9. In settlement of the revenue-requirement issues in this case other than ROE, the Parties submit this Stipulation for the Commission's approval and adoption. Appendix 1, which shows the stipulated revenue requirement adjustments and which is incorporated in this Stipulation, begins from the Company's updated request for an annual increase in revenues of \$22,157,542, titled "Questar Gas Updated Position." The agreed adjustments to the Company's position are shown for the Company, Division, Committee and UAE on lines 1 through 30 on Appendix 1. The proposed adjustments to the Company's position on ROE are shown on line 31 of Appendix 1. The Parties agree that the ROE phase of this case will continue as set forth in the

Commission's Scheduling Order. Line 32 of Appendix 1 shows the positions of the Parties after the effect of this Stipulation given their different recommendations on ROE.

10. Without waiving the provisions of paragraph 17 of this Stipulation, the basis for the Parties' agreement on the 30 issues shown on Appendix 1 is generally as follows:

a. The Parties agree for purposes of settlement to the adjustments for Cost of Debt (line 29) and Percent of Equity in Capital Structure (line 30) based on the Company's issuance of \$150 million of notes in March 2008.

b. The Company accepts for purposes of settlement the adjustments for AGA Dues (line 7), Lobbying Costs in Chamber of Commerce Dues (line 15), Energy Solutions (line 19), Utah Foundation (line 20), Other Donations (line 22), and Customer Golf Tournament (line 23) based on information provided in the direct testimony of the Division and Committee and further checking of its records. These adjustments are consistent with treatment by the Commission in prior rate cases of similar items.

c. The Parties agree for purposes of settlement to adjust rate base and rate-base related accounts so that the revenue requirement is reduced by \$325,000 (line 1). The Parties agree for purposes of settlement that the adjusted rate base reasonably reflects the average rate base that will be in effect in the test year.

d. The Parties agree for purposes of settlement that the proposed adjustment for Corporate A&G Expenses (line 10) need not be made based on discovery and further explanation provided by the Company.

e. The Parties agree for purposes of settlement that the proposed adjustment for Integrity Management Costs (line 13) need not be made based on discovery and further explanation provided by the Company.

f. The Parties agree for purposes of settlement that the level of Bad Debt Expense (line 9) included in the revenue requirement should be based on a three-year average as proposed by the Company.

g. The Parties agree for purposes of settlement that proposed adjustments for Lead-Lag Study – Interest on Long-term Debt (line 2) and Financial Advertising (line 6), need not be made.

h. The Parties agree for purposes of settlement that proposed adjustments for US Chamber of Commerce Dues (line 16), SLC Chamber of Commerce Dues (line 17), American Red Cross (line 18), Other Chamber of Commerce Expenses (line 21), and Utah Manufacturers Association (line 26) need not be made.

i. The Parties agree for purposes of settlement that proposed adjustments for Co-op Advertising (lines 4 and 5), Utah Energy Summit (line 11), Utah State Fairpark (line 24), Utah Science Center (line 25) and Water-Heater Blimp (line 27) need not be made based upon discovery and confirmation that the expenditures were incurred to inform customers of the Company's Thermwise energy-efficiency programs. On a going-forward basis the Parties agree that these and all other specific costs promoting energy efficiency will be separately tracked and reviewed in conjunction with the Company's energy-efficiency programs. The Parties agree that the DSM Advisory Group shall review these costs and recommend how these costs should be accounted for going forward. The Company shall propose an accounting treatment for these costs in the Company's next general rate case.

j. The Parties agree for purposes of settlement that an adjustment of \$356,995 for Reserve Accrual (line 8) should be made. On a going-forward basis, the

reserve accrual will be based on the five-year average of actual payments made by the Company. The Parties further agree that the Company will file results of operation reports based upon this methodology unless and until modified by a subsequent Commission order.

k. The Parties agree for purposes of settlement that an adjustment of \$150,000 for Outside Services (line 12) should be made.

l. The Parties agree for purposes of settlement that an adjustment of \$75,000 for Software Expense (line 14) should be made.

m. The Company agrees for purposes of settlement to accept the Committee's proposed five-year amortization of MREs (line 28).

n. The Parties agree for purposes of settlement to reduce Labor Expense Issues by \$1,300,000 (line 3).

11. The Parties have not reached agreement on ROE (line 31). The overall deficiency resulting from the foregoing agreed adjustments based on the ROEs recommended by the Company, Division and Committee are shown on line 32 of Appendix 1. When the Commission issues its order on ROE, Questar Gas will provide a revised deficiency amount based on that decision consistent with the agreed positions on other revenue requirement issues.

12. The Parties agree that the rate increase resulting from the Commission's final order on ROE and approving this Stipulation shall become effective through a percentage increase applied equally to DNG revenue for all customer classes. The increase will be collected through changes to the DNG block rates. When the Commission issues its order on cost of service and rate design, rates will be adjusted, consistent with that order, on a going-forward basis.

13. The Parties further agree, on a going-forward basis, unless otherwise agreed by the Parties subsequently or as otherwise required by the Commission in an order or rule, that:

a. Pursuant to the Stipulation and Order Approving Settlement in Docket No. 05-057-T01, the Company will perform a depreciation study by the end of 2008. The Company agrees to perform a new depreciation study every five years on a going-forward basis.

b. When Questar Gas files a general rate case, it will use a lead-lag study in which the end date of the period used for the study is not more than three years old at the time of the filing.

c. Beginning in 2009, Questar Gas will provide a two-year forecast of its results of operations filing made in the spring of each year. Additionally, the Company will provide variance reports comparing the forecast with actual results with each semi-annual report. The Division, Committee, and Questar Gas will work together to develop the proper format and account mapping that allows the Division to compare forecasts of future results of operations with actual results as they occur.

14. In its next general rate case filing, Questar Gas will provide responses to Master Data Request A with the application and will provide responses to Master Data Request B within 30 days of filing the application consistent with the filing in this case, except as those data requests may be modified by agreement of the Parties following the conclusion of the revenue requirement hearing in this and other dockets or as otherwise ordered by the Commission.

15. The Parties agree that settlement of these issues is in the public interest and results in rates that are just and reasonable.

## **General**

16. Except for ROE, the Parties have reached a full and final resolution of all other revenue-requirement issues. Except for ROE, the Parties agree to waive cross examination regarding all other issues related to the determination of the test-year revenue deficiency that have been addressed in the written testimony submitted by the Parties in this case. Accordingly, the Parties agree to request that witnesses whose testimony addresses revenue requirement issues be excused from appearing at the hearings scheduled to begin June 30, 2008.

17. All negotiations related to this Stipulation are privileged and confidential, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

18. Questar Gas, the Division and the Committee each will, and other Parties may, make one or more witnesses available to explain and support this Stipulation to the Commission. Such witnesses will be available for examination. So that the record in this docket is complete, the Parties may move for the admission of testimony and exhibits that have been filed on the issues resolved by this Stipulation; however, notwithstanding the admission of filed testimony, the Parties shall support the Commission's approval of the Stipulation. As applied to the Division and Committee, the explanation and support shall be consistent with their statutory authority and responsibility.



19. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation. As applied to the Division and Committee, the phrase “use its best efforts” means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.

20. Except with regard to the obligations of the Parties under the four immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission’s approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission’s approval of this Stipulation is rejected or materially conditional by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues resolved by the Stipulation and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

21. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

22. The Parties are authorized to represent that the intervenors in this docket that have not entered into this Stipulation either do not oppose or take no position on this Stipulation.

**RELIEF REQUESTED**

Based on the foregoing, the Parties request that the Commission issue an order approving this Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: May 16, 2008.

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Central Valley Water Reclamation Facility

## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing **REVENUE**

**REQUIREMENT STIPULATION** as served upon the following persons by email on May 16,

2008:

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