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**To: Public Service Commission**

From: Division of Public Utilities  
Philip Powlick, Director  
Energy Section  
Artie Powell, Manager  
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Date: August 6, 2008

**Subject:** Questar Gas Company Phase I Tariff Revisions Docket No. 07-057-13

**ISSUE:**

On July 25, 2008, Questar Gas Company (QGC) filed with the Utah Public Service Commission (UPSC), revised tariff sheets with an effective date of August 15, 2008.

**RECOMMENDATION:**

The Division recommends that the UPSC approve the tariff sheets as filed effective August 15, 2008.

**DISCUSSION:**

On June 27, 2008 the UPSC issued a Report and Order on the Revenue Requirement in this docket approving a DNG rate increase of \$11,966,500 to become effective through a an equal percentage increase applied to DNG revenue for all customers.

The order further states that *“the increase is to be collected through changes to the*

*DNG block rates until the Commission issues its order in this docket on cost of service and rate design, at which time rates will be adjusted consistent with that order, on a going-forward basis. The Division shall review the tariff revisions for compliance with the terms of the approved Stipulation and this Order.”<sup>1</sup>*

Subsequent to the issuance of the Order, the USPC issued a letter on July 10, 2008 to QGC further clarifying the intent of the order with respect to the implementation of the approved increase in the revenue requirement of \$11,966,500.

The Division has completed its review of the revised filed tariff sheets and finds the revised DNG rates on the tariff sheets do comply with the June 27 Order as well as following the intent of the letter issued on July 10, 2008. The table in Appendix 1, taken from the model the Company filed on July 25, 2008, is a proof of the revenues collected by the revised rates in the filed tariff sheets.

**Explanation for Commissions letter dated July 10, 2008.** As seen in the table in Appendix 1, all rate schedules except the GS rate schedules received a 5.2% increase. This percentage is the overall increase in the revenue requirement authorized by the Commission in its June 27 Order. It is derived by dividing the authorized increase in the revenue requirement of \$11.966 million (Col D, line 25 of Table) by current revenues collected at current rates for all customers, including the CET revenues,

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<sup>1</sup> Report and Order on Revenue Requirement, Docket No. 07-057-13, page 22

minus the revenue credits for the fixed contracts and other revenues (Col A, line 27 minus Col A, lines 16, 18, 24 of Table). This amount is \$230.165 million ( $11.966/230.165=5.2\%$ ).

The GS rate schedules current collect \$207.927 million at current rates (Col A, line 3). They are authorized to collect \$219.145 million because of the CET Pilot Program (Col A, line 3 plus Col A line 26). This means the GS-1 current rates should increase by 5.4% in order to collect what is currently authorized (Col A, line 26 divided by Col A line 3 = 5.4%). Applying the overall percentage increase of 5.2% to the current allowed GS revenue amount of \$219.145 million yields a GS Allowed Revenue amount of \$230.540 million which is the total allowed GS revenue after the increase in the approved revenue requirement of \$11.966 million. This infers that the GS rates would have to increase by 10.9% ( $(230.540-207.927)/207.927$ ) now to collect what is authorized and allowed under the CET. This is more than what the Commission intended, therefore they issued the letter stating that in this phase, they only want the GS rate schedule to increase by the authorized amount of 5.2%.

The difference between the total allowed GS revenue after the revenue requirement increase and the revenues currently allowed is \$11.395 million ( $230.540-219.145$ ). This yields a percentage increase currently allowed the GS rate class of 5.48% ( $11.395/207.927$ ) which is what is shown as the increase for the GS rate class. The \$11.395 million still to be collected will be adjusted into rates after all of the other

cost-of-service issues are heard and the Commission has issued their order in the 2<sup>nd</sup> phase of this docket.

The CET Allowed Revenue per Customer monthly amounts in Section 2.11 of the Tariff has also been appropriately adjusted to reflect the overall increase of 5.20%. The Division has verified that the DNG rates shown on the filed tariff sheets are the same rates used to calculate the proposed revenues as shown in the table in Appendix 1 and recommends the UPSC approve the filed tariff sheets with an effective date of August 15, 2008.

Cc: Barrie McKay, Questar Gas Company.  
Rea Petersen, DPU Customer Service  
Michele Beck, CCS  
Francine Giani, Commerce

## APPENDIX 1

| Line No. |                                       | A                          | B                           | C                   | D                    |
|----------|---------------------------------------|----------------------------|-----------------------------|---------------------|----------------------|
|          |                                       | Revenue @<br>Current Rates | Revenue @<br>Proposed Rates | Revenue<br>Change % | Revenue<br>\$ Change |
| 1        | GS-1                                  | \$ 205,418,173             | \$ 216,674,435              | 5.48%               | \$ 11,256,262        |
| 2        | GSS                                   | \$ 2,508,432               | \$ 2,645,884                | 5.48%               | \$ 137,452           |
| 3        | Total GS                              | \$ 207,926,605             | \$ 219,320,319              | 5.48%               | \$ 11,393,714        |
| 4        | NGV                                   | \$ 351,339                 | \$ 369,606                  | 5.20%               | \$ 18,267            |
| 5        | F-1                                   | \$ 3,866,562               | \$ 4,067,575                | 5.20%               | \$ 201,013           |
| 6        | F-3                                   | \$ 91,619                  | \$ 96,381                   | 5.20%               | \$ 4,763             |
| 7        | F-4                                   | \$ 107,182                 | \$ 112,755                  | 5.20%               | \$ 5,573             |
| 8        | Total Utah Firm                       | \$ 4,416,702               | \$ 4,646,317                | 5.47%               | \$ 11,623,330        |
| 9        | Interruptible                         |                            |                             |                     |                      |
| 10       | I-4                                   | \$ 344,872                 | \$ 362,807                  | 5.20%               | \$ 17,935            |
| 11       | IS-4                                  | \$ 165,726                 | \$ 174,343                  | 5.20%               | \$ 8,617             |
| 12       | Total Utah Interruptible              | \$ 510,598                 | \$ 537,150                  | 5.20%               | \$ 26,552            |
| 13       | Total Utah Sales                      | \$ 212,853,904             | \$ 224,503,786              | 5.47%               | \$ 11,649,882        |
| 14       | Transportation                        |                            |                             |                     |                      |
| 15       | FT-1                                  | \$ 1,481,696               | \$ 1,558,750                | 5.20%               | \$ 77,054            |
| 16       | FT-1L                                 | \$ 2,976,000               | \$ 2,976,000                | 0.00%               | \$ -                 |
| 17       | FT-2                                  | \$ 1,971,630               | \$ 2,074,165                | 5.20%               | \$ 102,535           |
| 18       | FT-2C                                 | \$ 22,530                  | \$ 22,530                   | 0.00%               | \$ -                 |
| 19       | MT                                    | \$ 15,229                  | \$ 16,021                   | 5.20%               | \$ 792               |
| 20       | IT                                    | \$ 2,591,844               | \$ 2,726,575                | 5.20%               | \$ 134,731           |
| 21       | IT-S                                  | \$ 32,342                  | \$ 34,024                   | 5.20%               | \$ 1,682             |
| 22       | Total Utah Transportation             | \$ 9,091,271               | \$ 9,408,065                | 3.48%               | \$ 316,794           |
| 23       | Utah Total Tariff DNG Revenues        | \$ 221,945,175             | \$ 233,911,851              | 5.39%               | \$ 11,966,676        |
| 24       | Utah Other DNG Revenues               | \$ 5,974,099               | \$ 5,974,099                | 0.00%               | \$ -                 |
| 25       | Utah Total DNG Revenues               | \$ 227,919,274             | \$ 239,885,950              | 5.25%               | \$ 11,966,676        |
| 26       | CET Revenues                          | \$ 11,218,672              | \$ 11,218,680               | 0.00%               | \$ 8                 |
| 27       | Utah Total DNG Revenues Including CET | \$ 239,137,946             | \$ 251,104,630              | 5.00%               | \$ 11,966,684        |

