PASS-THROUGH APPLICATION OF)
QUESTAR GAS COMPANY FOR) Docket No. 09-057-03
AN ADJUSTMENT IN RATES)
AND CHARGES FOR NATURAL)
GAS SERVICE IN UTAH) APPLICATION

All communications with respect to these documents should be served upon:

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APPLICATION
AND
EXHIBITS

February 10, 2009

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

PASS-THROUGH APPLICATION OF QUESTAR GAS COMPANY FOR AN ADJUSTMENT IN RATES AND CHARGES FOR NATURAL GAS SERVICE IN UTAH	)))))	Docket No. 09-057-03 APPLICATION

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

The Questar Gas Company Utah Natural Gas Tariff PSCU 400 (Tariff), Section 2.10, provides for pass-through applications to be filed "no less frequently than semi-annually." The driving force behind the proposed price decrease in this filing is a forecasted decrease in purchased gas price and a growing balance in the gas-balancing account.

This filing is based on the January 2009 average of projected gas prices from three nationally recognized forecasting organizations, as explained below in paragraph 6. This pass-through application reflects Utah gas costs of $578,912,134. This represents a decrease of $161,396,000, which includes a decrease of $9,352,000 in the supplier non-gas (SNG) rates and a decrease of $152,044,000 in the commodity rates.

The cause of this decrease is a significant drop in purchased gas costs since November 2008. Therefore, the Company requests a decrease of $161.4 million to be effective March 1, 2009.

If the Commission grants this application, typical residential customers using 80 decatherms per year will see a decrease in their total annual bill of $127.91 (or 16.53%).

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 rates, charges, and general conditions for natural gas service in Utah are set forth in the Tariff. 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 the Tariff, pages 2-11 through 2-16, 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 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 February 2010.

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 $246,181,089, as shown on the last page of Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make system-wide royalty payments of $30,424,463 on Company-owned gas produced by

Wexpro. These royalty payments are based on projected volumes for the test year and the price forecast for the test year explained below in paragraph 6.

(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 $215,756,626 system wide.

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to be $262,365,660 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $4.34781/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, amendments to cap prices for price stability and a forecast of gas prices. In this case, the Company has used an average of gas-price forecasts from Global Insight, Inc., Cambridge Energy Research Associations, Inc., and PIRA Energy Group. Questar Gas receives the gas price forecasts from all three of these nationally recognized forecasting organizations. Exhibit 1.10 provides a comparison of the gas price forecasts, as well as the average of the three forecasts, for the test year. These purchased gas costs comprise the following elements:

(a) Questar Gas currently expects to purchase 32,394,500 Dths under existing contracts at a total cost of $163,332,656 as shown in Exhibit 1.2, line 3. Included in these costs, in accordance with the Commission-approved stipulation 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 2009 through March 2010. The other two-thirds of the gas purchases for the period from October 2009 through March 2010 will remain priced at first-of-month index prices along with all of the gas purchased for the remaining test year.

(b) Also, Questar Gas expects to contract in the future for an additional 26,149,810 Dths at a total estimated cost of $92,607,004 as shown on Exhibit 1.2, line 5.

(c) In addition to current and future contracts, Questar Gas anticipates buying 1,800,000 Dths on the spot market at a total estimated cost of $6,426,000. (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 $86,071,661, as shown in Exhibit 1.3, page 1, line 22. The transportation (as well as storage) costs are based on upstream pipelines' rates. These costs comprise 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 $61,033,670 system wide. (Exhibit 1.3, page 1, line 8.) Also included is a projected capacity release credit of $2,825,627. (Exhibit 1.3, page 1, line 3.)

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this application 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 $1,246,529. (Exhibit 1.3, page 1, line 15.)

(c) Other Gathering, Processing and Transportation Charges. Questar Gas uses expected production and gathering volumes for the test year to compute gathering charges. The gathering costs under the system-wide agreement with Questar Gas Management Company (QGM) are estimated to be $18,261,493. (Exhibit 1.3, page 1, line 18). Other gathering and processing charges and transportation charges are $3,058,022 and $2,471,947 respectively. (Exhibit 1.3, page 1, lines 19-20.)

(d) Summary of Other Charges. For the test-year, gathering, processing and transportation costs are calculated to be $23,791,462 system wide. (Exhibit 1.3, page 1, lines 18, 19, 20.)

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 $19,643,450 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 $449,566. (Exhibit 1.3, page 2, line 9.)

(c) Working Storage Gas. The return on working storage gas for the most recent 13 months is $5,168,826. (Exhibit 1.3, page 2, line 24.)

9. Summary of 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 its Order in Docket No. 80-057-10 and as revised by Commission Order in Docket No. 01-057-14. Other revenues of $18,311,589 are the forecasted amounts for the 12 months of the test year 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 $578,912,134 in gas costs for Utah. (Exhibit 1.5, line 14.)

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 $578,912,134. These costs are

adjusted by F-3 and I-4 credits for a total of $569,958,917. (Exhibit 1.6, page 1, line 5.) The portion of expected test-year gas costs to be recovered on a commodity basis is $473,758,616. (Exhibit 1.6, page 1, line 10.) The corresponding unit cost of gas applicable to Utah rates is $4.81081/Dth. (Exhibit 1.6, page 1, line 11.)

11. Amortization of 191 Account Balance. Currently included in Questar Gas' gas cost rate is a commodity amortization of $0.0000/Dth approved by the Commission in Docket No. 08-057-23. Since the 191 Account is over-collected, the Company proposes to establish a credit amortization of $0.61811/Dth. (Exhibit 1.6, page 1, line 12.) The treatment of the supplier non-gas cost portion of the 191 Account and gas management costs are described in paragraphs 13 and 14.

12. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 10, and the 191 Account amortization, discussed in paragraph 11, yields a unit commodity cost of $4.19270/Dth for firm customers, a decrease of $1.50411/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 costs billed 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 are $96,200,301 (Exhibit 1.6, page 2, line 3). Current rates are estimated to recover $105,552,204 in supplier non-gas costs. (Exhibit 1.6, page 2, line 4.) Questar Gas therefore proposes applying a uniform percentage decrease of 8.90% to the supplier non-gas cost component of firm sales rates. (Exhibit 1.6, page 2, line 7.) After discussion with the Division of Public Utilities and in an effort to reduce volatility in this rate component, Questar Gas is proposing to amortize the SNG component of the account 191 balance on an annual basis in the fall pass-through. As a result the SNG amortization is proposed to be zero.

14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this application is a 16.53% decrease, or a decrease of

$127.91 per year for a typical GS-1 residential customer using 80 decatherms per year. The projected month-by-month changes in rates are shown in Exhibit 1.7.

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

16. 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 rate of return. Net profits are also unaffected except for the return on the changed amount of working storage gas which was approved by the Commission in Docket No. 07-057-13.

17. 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
Exhibit 1.10	Comparison of Gas Price Forecasts

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with its rules and procedures and the Company's tariff:

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 $578,912,134 as adjusted in Exhibit 1.6 and as more fully set out in this Application and in Exhibit 1.8.

DATED the 10th day of February 2009.

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)

Ronald W. Jibson, 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 this application are true to the best of his knowledge and belief.

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Ronald W. Jibson

Subscribed and sworn to before me this 10th day of February, 2009.

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Notary Public
Residing in Salt Lake City, Utah

Questar Gas Company
Docket No. 09-057-03
Exhibit 1.8

QUESTAR GAS COMPANY
180 East First South
P. O. Box 45360
Salt Lake City, Utah 84145-0360

CURRENT 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: February 10, 2009

QUESTAR GAS COMPANY

By ______________________________
Ronald W. Jibson
President and Chief Executive Officer