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Division of Public Utilities

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To: Public Service Commission

From: Division of Public Utilities
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Date: May 13, 2010

Subject: Docket 10-057-05, Questar Gas Company Application to Change Existing Tariff.

ISSUE:

On May 3, 2010, Questar Gas Company (Company) filed with the Utah Public Service Commission (Commission) an "Application of Questar Gas Company for Authority To File A Change In Its Existing Tariff". The purpose of this Application is to remove from current rates the $0.24106 per Dth credit amortization component from the commodity portion of rates for all firm sales classes.

RECOMMENDATION:

The Division recommends that the Commission schedule a hearing to authorize the removal of the credit amortization rate as filed, with an effective date of June 1, 2010.

DISCUSSION:

Since the Company’s last pass through filing in Docket No. 09-057-12, with an effective date of October 1, 2009, the Company has been able reduce to near zero the $24.9 million over-collection in the 191 Account balance due to gas prices increasing in the natural gas market more than had been projected in Docket No. 09-057-12. Because of this, the Company is requesting the removal, from the commodity portion of current rates, of the $0.24106 / Dth credit component that had been included to refund to firm sales customers the $24.9 million over-collected balance. The removal of this amortization credit, in effect, results in an increase of $24.9 million in gas costs.

The removal of the amortization credit rate component will result in an increase in the net GS Commodity Gas Cost Rate, for the first 45 Dth, from the current $3.93/Dth to $4.17/Dth and a corresponding increase in the total GS Summer rate from $6.82/Dth to $7.06/Dth (rounded to the nearest cent). Based on an assumed annual consumption of 80 Dths per year, a typical residential customer’s annual bill would increase from the current annual cost of $657.47 to $676.76, an increase of $19.28 or a 2.93% increase in annual costs.

In the Company’s press release regarding this request, it was reported the average monthly increase in cost to a typical residential customer would be $1.61 per month which is derived from the $19.28 annual increase divided by 12 months. Because the summer months’ gas consumption is much lower than the winter months’ gas consumption, the average increase in the summer months is actually $0.85 per month while the winter months’ average increase would be $2.67 per month.

The Company has reported that at the end of March 2010, the current balance in the 191 account is a debit balance (an under-collected balance) of $2.8 million.

Therefore, the Company is not requesting to change the current base gas cost commodity rate component at this time. In order to give more time to see trends in the natural gas markets, the Company indicated they anticipate making a general pass-through filing near the end of June or the beginning of July, with rates to be effective August 1, 2010. By so doing, this would allow any future changes in the commodity rates to coincide with the DNG rate changes resulting from the stipulated settlement in Docket No. 09-057-16, the Company's just concluded general rate case.

The Division supports the removal of the current amortization rate component as requested because the effect on a typical residential customer, during the summer months, is small as well as minimizes the overall effect on the total 191 account balance going forward. The Division also agrees that delaying until June or July to file a general pass-through filing provides more time to discern any possible trends in natural gas market pricing as well as providing more rate stability with minimal changes, since it coincides with a general DNG rate increase to incorporate the $2.6 million increase in the Company's overall revenue requirement agreed to in the general rate case settlement stipulation in Docket No. 09-057-16.

Hopefully, if the annual trend in natural gas prices is down from current projections, the over-all impact on the future commodity rates will be very minimal or result in no change from current rates. The Division will continue to monitor these trends.

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