

APPLICATION OF QUESTAR GAS) Docket No. 11-057-04
COMPANY TO AMORTIZE THE)
DEMAND SIDE MANAGEMENT/)
ENERGY EFFICIENCY)
DEFERRED ACCOUNT BALANCE) APPLICATION

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

Colleen Larkin Bell (5253)
Jenniffer R. Nelson (7947)
Attorneys for the Applicant

180 E. 100 South
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

APPLICATION
AND
EXHIBITS

April 28, 2011

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF QUESTAR GAS)	Docket No. 11-057-04
COMPANY TO AMORTIZE THE)	
DEMAND SIDE MANAGEMENT)	
ENERGY EFFICIENCY DEFERRED)	APPLICATION
ACCOUNT BALANCE)	

Questar Gas Company (Questar Gas or the Company) respectfully submits this application to the Utah Public Service Commission (Commission) for approval of an amortization of the Demand Side Management/Energy Efficiency (DSM/EE) deferred account balance and an adjustment to the distribution non-gas (DNG) cost portions of its Utah GS natural gas rates. If the Commission grants this application, typical residential customers using 80 decatherms per year will see an increase in their yearly bills of \$5.25 (or 0.75%). The Company proposes to implement this request by charging the new rates effective June 1, 2011.

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 Questar Gas Company Utah Natural Gas Tariff PSCU 400 (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. DSM/EE Order. In the order dated October 5, 2006, approving the Settlement Stipulation in Docket No. 05-057-T01 (Order), the Commission authorized Questar Gas to establish a deferred expense account, Account 182.4 of the Uniform System of Accounts, in which to record the costs associated with the approved DSM/EE programs and market transformation initiative (Order at 15). This filing is made under §2.09 of the Tariff, which sets forth procedures for recovering the deferred DSM/EE related expenses by means of periodic adjustments to rates and amortizations of this account.

3. Test Year. The test year for this application is the 12 months ending May 2012.

4. Amortization of Account No. 182.4 Balance. Attached as Exhibit 1.1 is a summary of the DSM/EE deferred expenses accounting entries for the period from October 2010 through March 2011. In the order dated January 16, 2007, in Docket 05-057-T01 approving the DSM/EE programs, the Commission required that “Questar shall keep detailed records of all DSM expenditures and shall track them by each separate DSM program or marketing initiative, and by expenditure type. Summary statements prepared from these records shall be presented to the Commission as part of the Account 182.4 approval process” (Order at 9). Attached as Exhibit 1.2 is a summary of the deferred DSM/EE related expenditures by DSM/EE program (page 1) and by DSM/EE program and expenditure type (page 2) since October of 2010. The DSM/EE balance, as of the end of March 2011, is \$30,002,767 (Exhibit 1.1, column F, line 6). Although the balance is \$30,002,767, the Company is proposing to amortize \$42,000,000 to reduce the deferred account balance. As more fully described below, using \$42,000,000 as the balance to be amortized increases the amortization rate from \$0.37525 to \$0.44104 which is an increase of \$0.06579 per Dth on the GS DNG rates as shown in Exhibit 1.3, column D.

5. Analysis of Account 182.4 Balance. In an e-mail dated December 9, 2010 from Commission Staff to the parties in Docket No. 10-057-18, the Commission asked the questions “What is Questar Gas Company’s long-term plan to manage the balance in the DSM Account?” and “What are other parties’ views on the long-term plan?” On January 20, 2011 the Company led a discussion with the DSM/EE Advisory Group concerning these questions. The group discussed the DSM/EE balance and the carrying charge that accrues on that balance. After that discussion, the Company conducted further analysis, and met with the Division of Public Utilities and the Office of Consumer Services to further explore options for the long-term management of the DSM/EE balance. On March 9, 2011, the Company met with the DSM/EE Advisory Group and presented a proposal to reduce the balance and related carrying charge over a three-year period. The DSM Advisory Group agreed that Questar Gas would propose to reduce the DSM/EE balance in its next DSM/EE filing.

The Company recommends reducing the balance over three years using an amortization level of \$42 million as shown in the table below:

	Beginning Balance	Expenditures	Collections	Ending Balance
Year 1	\$30 million	+\$32 million	-\$42 million	\$20 million
Year 2	\$20 million	+\$32 million	-\$42 million	\$10 million
Year 3	\$10 million	+\$32 million	-\$42 million	\$0

The Company feels that the three-year option is the most favorable option for two reasons. First, the majority of the balance was built in the three year period between 2008 and 2010. Since the balance was built up over a three year period it seems reasonable to pay it down over the same amount of time. Second, while the \$42 million is a large amount, it is still slightly lower than amortization levels that customers paid in

the latter half of 2009 and early part of 2010.

The DSM/EE Advisory Group was supportive of the three year amortization but also suggested the Company show a two year amortization option. The two year amortization option is shown in the table below:

	Beginning Balance	Expenditures	Collections	Ending Balance
Year 1	\$30 million	+\$32 million	-\$47 million	\$15 million
Year 2	\$15 million	+\$32 million	-\$47 million	\$0

The Company does not believe that amortizing the balance over two years is the best option. First, increasing the amount to be amortized from \$36 million to \$47 million would result in a 31% increase in the amortization rate. Second, it would set the rate at an all time high. The Company feels that the three-year approach is a better balance between current and future costs for ratepayers.

6. Proposed Tariff Sheet. Exhibit 1.4 shows the proposed GS rate schedule that reflects the amortization of the balance in Account 182.4 as explained in paragraph 4.

7. Change in Typical Customer's Bill. The annualized change in rates calculated in this application is a 0.75% increase or \$5.25 per year for a typical GS residential customer using 80 decatherms per year. The projected month-by-month changes in bills are shown in Exhibit 1.5.

8. Exhibits. Questar Gas submits the following Exhibits in support of its request to amortize the DSM/EE balance:

Exhibit 1.1 DSM/EE Deferred Expense Account Entries in Account 182.4

Exhibit 1.2 DSM/EE Program Expenditure Report by DSM/EE Program and Expenditure Type

- Exhibit 1.3 Calculation of Proposed Rates
- Exhibit 1.4 Proposed Tariff Sheet
- Exhibit 1.5 Effect on GS Typical Customer

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with the Order approving the DSM/EE Stipulation 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 an amortization in GS DNG rates, as more fully set out in this Application; and
2. Authorize Questar Gas to implement its rates effective June 1, 2011.

DATED this 28th day of April 2011.

Respectfully submitted,

QUESTAR GAS COMPANY

Colleen Larkin Bell (5253)
Jenniffer R. Nelson (7947)
Attorneys for the Applicant
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

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

PROPOSED RATE SCHEDULES

P.S.C. Utah No. 400
Affecting All Firm Sales Rate Schedules
and Classes of Service in
Questar Gas Company's
Utah Service Area

Date Issued: April 28, 2011
To Become Effective: June 1, 2011