

APPLICATION OF QUESTAR GAS) Docket No. 11-057-11
COMPANY TO INCLUDE THE)
INFRASTRUCTURE RATE)
ADJUSTMENT) APPLICATION

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

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APPLICATION
AND
EXHIBITS

August 31, 2011

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| APPLICATION OF QUESTAR GAS |) | Docket No. 11-057-11 |
| COMPANY TO INCLUDE THE |) | |
| INFRASTRUCTURE RATE |) | APPLICATION |
| ADJUSTMENT |) | |

Questar Gas Company (Questar Gas or the Company) respectfully submits this application to the Utah Public Service Commission (Commission) and thereby seeks approval to include an Infrastructure Rate Adjustment to the distribution non-gas cost portions of its Utah GS, FS, IS, TS, FT-1, MT, and NGV natural gas rate schedules.

If the Commission grants this application, a typical GS residential customer using 80 decatherms per year will see an increase in their yearly bills of \$3.28 (or 0.47%). The Company proposes to implement this request by charging the new rates effective October 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 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 an 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. Settlement Stipulation Order. In the order approving the Settlement Stipulation in Docket No. 09-057-16, the Commission authorized Questar Gas to

establish the Infrastructure Rate Adjustment Tracker. This filing is made under §2.07 of the Tariff, which sets forth procedures for recovering costs associated with replacing aging infrastructure.

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

4. Calculation of Revenue Requirement. Exhibit 1.1, page 1 shows the total amount closed to investment and in service in 2011 for each of the infrastructure replacement projects. Lines 1 through 8 show the investment in each of the infrastructure replacement projects as of August 2011. Lines 9-12 show the amounts to be retired from investment for various feeder lines. Exhibit 1.1, page 2, shows how the total net investment in Exhibit 1.1 is used to calculate the revenue requirement. Page 2, line 1, shows the net investment closed through August 2011. Pursuant to paragraph 16 of the Settlement Stipulation in Docket No. 09-057-16, line 2 subtracts out the \$10.1 million already included in rates. Lines 4 through 10 show the accumulated depreciation, accumulated deferred income tax, net replacement infrastructure, allowed pre-tax return, net depreciation expense, and net taxes other than income tax.

Lines 13 and 14 show one-time adjustments to the typical calculation of revenue requirement. When the first infrastructure replacement filing was made in December 2010, it was made with the assumption that feederlines would be depreciated for tax purposes using 50% bonus depreciation rates. Soon after the filing was made, it was determined that much of the investment to be added would use 100% bonus depreciation. Adjustments were made to the rates to collect the correct amounts, but the Company had already overcollected \$94,812. Line 13 shows the reduction of revenue to correct the prior overcollection.

Line 14 shows the result of a proration error in the billing program used to calculate bills. Normally when a customer has a monthly bill with usage from a winter and summer period, the billing system prorates the usage to be billed at each rate. When

the new infrastructure replacement rates went into effect, the proration calculations weren't made and customers were charged Summer rates for part of their March volumes. This caused an undercollection of \$25,469, which is adjusted in line 14.

The total amount to be included in rates is \$6,477,554 as shown in line 15.

5. Cost of Service. Exhibit 1.2 shows the allocation of the revenue requirement to each class. Section 2.07 of the Company's tariff states that "the Surcharge will be assigned to each rate class based on the Commission-approved total pro rata share of the DNG tariff revenue ordered in the most recent general rate case." Column A shows the current Commission ordered Distribution Non-Gas Revenue Requirement by class. Column B shows the percent of the total revenue requirement by class. Column C shows the total revenue to be collected from each class.

6. Rate Design. Exhibit 1.3 shows the rate design for each class. Section 2.07 of the Company's Tariff states that "the Surcharge assigned to each class will be collected based on a percentage change to the demand charge, if applicable, and each block of volumetric rates of the respective rate schedules." Column F shows the projected volumetric revenue for each class using current DNG rates and volumes for the 12 months ending September 2012 test year. Column G shows the amount of revenue that needs to be collected from each class. Column H shows the percentage change to each block and the percentage change to the TS demand charge.

7. Change in Typical Customer's Bill. The annualized change in rates calculated in this application results in a \$3.28 or a 0.47% increase for a typical GS residential customer using 80 decatherms per year as shown in Exhibit 1.4.

8. Proposed Tariff Sheet. Exhibit 1.5 shows the proposed tariff rate schedule that reflects the calculation of the infrastructure rate adjustment as explained in paragraphs 4 through 6.

9. Exhibits. Questar Gas submits the following exhibits in support of its request to include the infrastructure rate adjustment:

- Exhibit 1.1 QGC Infrastructure Replacement Project Summary & Revenue Requirement
- Exhibit 1.2 Cost of Service Allocation
- Exhibit 1.3 Rate Calculation
- Exhibit 1.4 Effect on GS Typical Customer
- Exhibit 1.5 Proposed Tariff Sheets

WHEREFORE, Questar Gas respectfully requests that the Commission, in accordance with the Report and Order approving the Settlement Stipulation in Docket No. 09-057-16 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 the inclusion of the infrastructure rate adjustment by adjusting affected rate classes as more fully set forth in this Application.

2. Authorize Questar Gas to implement the revised rates effective October 1, 2011.

DATED this 31st day of August 2011.

Respectfully submitted,

QUESTAR GAS COMPANY

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PROPOSED RATE SCHEDULES
Exhibit 1.5
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: August 31, 2011
To Become Effective: October 1, 2011