

PASS-THROUGH APPLICATION OF )  
QUESTAR GAS COMPANY FOR ) Docket No. 16-057-05  
AN ADJUSTMENT IN RATES )  
AND CHARGES FOR NATURAL ) REDACTED  
GAS SERVICE IN UTAH ) APPLICATION

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

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REDACTED APPLICATION  
AND  
EXHIBITS  
May 2, 2016

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PASS-THROUGH APPLICATION	)	
OF QUESTAR GAS COMPANY FOR	)	Docket No. 16-057-05
AN ADJUSTMENT IN RATES AND	)	
CHARGES FOR NATURAL GAS	)	REDACTED
SERVICE IN UTAH	)	APPLICATION

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Questar Gas Company (Questar Gas or the Company) respectfully submits for Commission approval this Application for a decrease of \$28,581,000 in its Utah natural gas rates. The Questar Gas Company Utah Natural Gas Tariff PSCU 400 (Tariff), Section 2.06, provides for pass-through applications to be filed “no less frequently than semi-annually.” The driving force behind the price decrease in this Application is the low cost of purchase gas. The information contained in this Application is based on the March 2016 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of \$541,698,332. This case proposes an overall decrease of \$28,581,000 which includes a decrease of \$22,118,000 in the commodity portion of rates and a decrease of \$6,463,000 in the supplier non-gas (SNG) portion of rates. If the Commission grants this Application, typical residential customers using 80 decatherms per year will see a decrease in their total annual bill of \$21.23 (or 3.03%).

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 Utah Public Service Commission (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 Franklin County, Idaho. 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. Applicable Statutes. The Commission may grant relief requested in this case pursuant to Utah Code Ann. § 54-4-1 (2015).

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 §2.06 of the Tariff, pages 2-9 through 2-14, which sets forth procedures for recovering gas costs shown in Account No. 191 by means of periodic and special adjustments to rates and an amortization of that account over one year.

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 May 31, 2017.

5. Cost-of-Service Production. Exhibit 1.1 shows the expected test-year costs for gas produced for Questar Gas by Wexpro Company (Wexpro) under Wexpro I and Wexpro II Agreements. System-wide, total costs for Questar Gas' production are expected to be \$334,050,707, as shown on page 21 of Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Questar Gas will make royalty payments of \$23,128,023 (Exhibit 1.1, page 18, line 1387) on Company-owned gas produced under Wexpro I and royalty payments of \$3,778,547 (Exhibit 1.1, page 21, line 1568) on Wexpro II production. These royalty payments are based on projected well head 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 cost-of-service wells. The Wexpro I operator service fee for gas produced from productive gas wells for Questar Gas by Wexpro is expected to be \$269,186,730 (Exhibit 1.1, page 18, line 1388) system-wide. The operator service fee for Wexpro II is expected to be \$37,957,407 (Exhibit 1.1, page 21, line 1569).

6. Purchased Gas Costs. Questar Gas' total purchased gas costs are calculated to be \$135,273,574 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average \$2.72632/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, and a forecast of gas prices. In this case, the Company has used an average of gas-price forecasts from PIRA Energy Group and Cambridge Energy Research Associates, Inc. Exhibit 1.10 provides a comparison of the gas price forecasts, as well as the average of the forecasts, for the test year. These purchased gas costs comprise the following elements:

(a) Questar Gas currently expects to purchase 17,530,000 Dths under existing contracts at a total cost of \$52,084,358 as shown in Exhibit 1.2, line 3. For the past several years the Company has entered into fixed price arrangements on a portion of its winter purchased gas and therefore has not incurred any stabilization costs. The Company does not anticipate incurring any stabilization costs during the proposed test period. If, in the future, there again becomes a need for the Company to incur stabilization costs, the Company will recommend inclusion of these types of costs at that time.

(b) In addition to current contracts, Questar Gas anticipates buying 28,391,134 Dths on the spot market at a total estimated cost of \$74,841,149 (Exhibit 1.2, line 4).

(c) Also, Questar Gas expects to contract in the future for an additional 3,696,578 Dths at a total estimated cost of \$8,348,067 as shown on Exhibit 1.2, line 5.

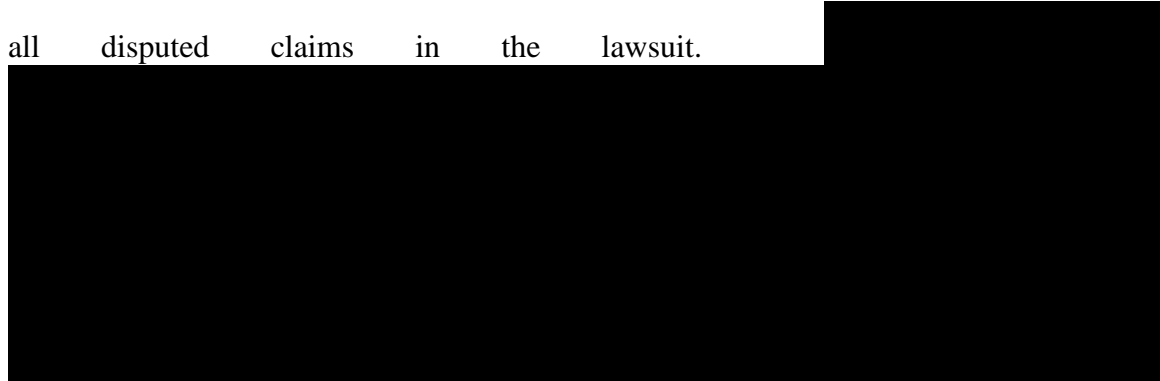
7. Transportation, Gathering and Processing Charges. Questar Gas incurs system-wide charges for transportation and gathering services for delivery of gas to its system. These costs are calculated to be \$93,052,294, as shown in Exhibit 1.3, page 1, line 26. The transportation and storage costs are based on upstream pipelines' rates. These costs comprise the following elements:

(a) Questar Pipeline Company (Questar Pipeline) and Kern River Gas Transmission Company (Kern River) Demand Rates. Annual transportation demand charges to transport produced and purchased gas are calculated to be \$63,619,686 system-

wide (Exhibit 1.3, page 1, line 11). This includes a projected capacity release credit of \$11,683 (Exhibit 1.3, page 1, line 4).

(b) Questar Pipeline and Kern River Commodity Rates. The transportation volumes in this Application reflect the level of Wexpro I and Wexpro II production and purchased-contract gas transported during the test year and current FERC approved rates. Transportation commodity charges are calculated to be \$529,795 (Exhibit 1.3, page 1, line 18).

(c) Gathering and Transportation Charges. Gathering charges are computed on the basis of forecasted production and gathering volumes for the test period. The majority of Wexpro I gathering services and the costs of that gathering continue to be provided under the terms of the 1993 system-wide gathering agreement between QEP Field Services Company's successor in interest, Tesoro Logistics LP (QEPFS/Tesoro) and Questar Gas which provides for cost-of-service based gathering rates (SWGA). Since the filing of the Company's last pass through application, the Company and QEPFS/Tesoro have reached a confidential settlement agreement to resolve issues raised in litigation (QGC v. QEP) pertaining to the SWGA. The confidential settlement agreement resolved all disputed claims in the lawsuit.



Additionally, the SWGA was amended to clarify the calculation of O&M, G&A, and return on investment. This calculation will reduce the gathering rate going forward and allow for better auditing of the calculation of the rate.

Using the new rate, the Company estimates gathering costs under the agreement to be \$18,455,251 (Exhibit 1.3, page 1, line 21) Wexpro II volumes are gathered under a separate

agreement and are estimated to be \$4,060,679 (Exhibit 1.3, page 1, line 22). Other gathering and transportation charges are \$2,220,166 and \$4,166,717 respectively (Exhibit 1.3, page 1, lines 23-24).

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 \$18,324,376 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 and Clay Basin storage fields are calculated to be \$397,872 (Exhibit 1.3, page 2, line 9).

(c) Working Storage Gas. The return on working storage gas for the most recent 12 months is \$3,901,446 (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 \$17,581,477 are the forecasted amounts for the 12 months of the test year as shown in Exhibit 1.4, page 3, line 18. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation<sup>1</sup> in this test period. 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 \$541,698,332 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,

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<sup>1</sup> The Commission approved the Wexpro II Trail Unit Stipulation in Docket No. 13-057-13.

excluding supplier non-gas costs. Total Utah estimated test-year costs to be collected through the Account No. 191 procedures are \$541,698,332. The portion of expected test-year gas costs to be recovered on a commodity basis is \$438,075,911 (Exhibit 1.6, page 1, line 6). The corresponding unit cost of gas applicable to Utah rates is \$4.07582/Dth (Exhibit 1.6, page 1, line 7).

11. Amortization of 191 Account Balance. The actual March 31, 2016 191 Account commodity portion is over-collected, and the Company proposes to amortize that over-collected portion of \$38,115,270 by establishing a credit amortization of \$-0.17731/Dth (Exhibit 1.6, page 1, line 8). Normally, the Company would amortize this amount over 12 months. However, current commodity prices combined with seasonal supply sources have caused commodity balances in recent years to be naturally under-collected during summer months. Amortizing the entire balance without regard to market prices and seasonal sources could result in over-amortizing through the summer months. In order to avoid unnecessary rate volatility and a fall rate increase, the Company proposes to amortize half of the March 191 account commodity balance. This amortization, combined with the natural reduction that normally happens during summer months, will reduce the over-collected balance significantly. This will allow for analysis of the amortization rate during the fall pass through. The treatment of the supplier non-gas cost portion of the 191 Account and gas management cost are described in paragraph 13.

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 \$3.89851/Dth for sales customers, a decrease of \$0.20578/Dth (Exhibit 1.6, page 1, line 9).

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 base test-year supplier non-gas costs are \$103,622,421 (Exhibit 1.6, page 2, line 1).

(a) Supplier Non-Gas Amortization. Consistent with the Division of Public Utilities' recommendation in Docket No. 11-057-08, the Company began amortizing the balance in the SNG portion of the 191 account annually instead of semi-annually. The change was meant to reduce volatility and interest costs by limiting the swings in the SNG account from what had historically been \$40,000,000 over-collected and near zero throughout the year to approximately \$20,000,000 under-collected and \$20,000,000 over-collected. The balance in the SNG account at the end of March 2016 shows an over-collected balance of \$16,101,975. A normal balance in the March SNG should be about \$20,000,000 over-collected. To keep this account balance within the parameters described above, the Company is proposing to amortize the \$3,898,025 under-collected portion of this balance. The debit amortizations are shown in column F of Exhibit 1.6 page 3.

(b) In Docket No. 14-057-31, the Commission approved the Company's request to charge transportation customers for SNG costs they use. The Company began charging these customers a "Transportation Imbalance Charge" in February 2016 and began collecting from customers in March. A total of \$36,158 was collected from transportation customers and included in the SNG balance used to calculate the debit amortizations shown in column F of Exhibit 1.6 page 3. The Company is submitting an application concurrently with this Application to review the effectiveness of the Transportation Imbalance Charge, and to update the charge based on the most recent 12 months of data. See Docket No. 16-057-06 for more information.

(c) Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover \$113,983,451 in supplier non-gas costs (Exhibit 1.6, page 2, line 4). Questar Gas therefore proposes applying a uniform percentage decrease of 5.68% to the firm supplier non-gas rates.

(d) The total SNG costs discussed in paragraph 13, combined with the 191 Account amortization, discussed in paragraph 13(b), yields the unit SNG costs shown in column G of Exhibit 1.6 page 3.



14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 3.03% decrease, or a decrease of \$21.23 per year for a typical GS residential customer using 80 decatherms per year. The projected month-by-month changes in rates are shown in Exhibit 1.7.

15. Proposed Tariff Sheets. Questar Gas' proposed Utah Tariff sheets reflect the combination of the changes in commodity costs, and supplier non-gas costs allocable to Utah customers (Exhibit 1.8).

16. Combined Tariff Sheets. In addition to this pass-through application, Questar is concurrently filing an application to adjust the Transportation Imbalance Charge in Docket No. 16-057-06. This adjustment applies only to transportation customers and does not affect any of the rate schedules in this pass through filing.

17. 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. 13-057-05.

18. 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 Change in Gas Cost and Supplier Non-Gas Cost
Exhibit 1.7	Effect on GS Typical Customer

Exhibit 1.8	Proposed Tariff Sheets
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 a decrease in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of \$541,698,332 as adjusted in Exhibit 1.6 and as more fully set out in this Application and in Exhibit 1.8.

2. Authorize Questar Gas to implement the revised rates effective June 1, 2016.

DATED the 2nd Day of May 2016.

Respectfully submitted,

QUESTAR GAS COMPANY

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