

customers appeared at the hearing.

3. Applicant estimates that it will sell 10,417,523 therms of gas in the next twelve months; that sales volume was stipulated in a recent rate case. The prices paid by Applicant for gas have increased substantially pursuant to general gas market increases, particularly with high prices in recent months, due to national shortages of natural gas, a colder winter than normal, and the demands of electric markets that have impacted the gas market. The evidence presented by Utah Gas from its own records and also from an independent gas broker, Duke Energy Trading & Marketing, L.L.C., confirms the substantial rise in gas prices during the period covered by the application. The large jump in gas prices was not confined only to Utah Gas, but was experienced by most gas purchasers and gas utilities across the country. The evidence shows that the efforts of Utah Gas personnel, and of their gas broker, in implementing various gas purchase strategies for that period were prudent and necessary.

4. Based on the volumes of gas estimated to be purchased from the respective gas supply sources of Applicant, the total gas cost from all sources will become \$4,608,889. The total annualized cost of gas presently incorporated in Applicant's rates is \$2,504,987, leaving a difference of \$2,103,902, reflecting the increases in gas costs from different supply sources. Based upon annual sales of 10,417,523 therms, the annual increase in gas costs per therm amounts to 20.1958 cents per therm.

5. Applicant proposes to amortize the balance in its Gas Balancing Account and to increase the surcharge presently incorporated in its rates pursuant to its Gas Balancing Account tariff approved earlier by this Commission. A balance of \$802,609 was in the account as of December 31, 2000. When the account balance is divided by the 10,417,523 therms, estimated to be sold during the next twelve months, the surcharge amounts to 7.7044 cents per therm. The presently effective surcharge is 1.7832 cents per therm, resulting in a net increase in surcharge of 5.9212 cents per therm.

6. The combined effect of the gas cost increases and the increase in gas balancing account surcharge, will be a net increase in rates of 26.1170 cents per therm or an annualized rate increase for all customers collectively of \$2,720,748. To the extent that Applicant's actual purchases differ from projections, the difference will become an entry in Applicant's Gas Balancing Account and be reviewed by this Commission at a later time.

7. Applicant has proposed that the effect of the cost increase of 26.1170 cents per therm be spread among all its rate classifications, based on a uniform commodity distribution to each of its rates. The Commission finds that Applicant's proposed procedure is in the public interest and consistent with prior treatment of such adjustments by the Commission. The evidence shows that the effect on the average residential customer will be an annual increase of \$198.75, or a percentage increase of 41.66%. The monthly customer charge of \$5.00 will remain unchanged. Industrial and other rates will likewise be increased by 26.1170 cents per therm.

8. If Applicant fails or refuses to pay the cost increases discussed above as the same become due, it may lose those gas supplies. The increases in rates are based on the evidence, are cost-justified, and are just and reasonable.

9. The Findings of Fact, Conclusions of Law, and Order of this Commission in this matter, under the date of February 1, 2001, are found to be accurate and supported by the evidence and, accordingly, the Findings of Fact, Conclusions of Law, and Order of February 1, 2001, are hereby confirmed.

10. The Division of Public Utilities conducted a review of the underlying data, submitted by Applicant, and did not oppose the application.

Based upon the foregoing Findings of Fact, the Commission makes the following:

CONCLUSIONS OF LAW

1. This case may be appropriately considered pursuant to the provisions of

Section 54-7-12, Utah Code Annotated, 1953, as amended, other applicable statutes, and under the Rules of Practice and Procedure of this Commission.

2. The Commission concludes that Applicant has incurred increases in gas costs from its various gas suppliers, as set out in the application and in the foregoing Findings, and has also made the appropriate and necessary adjustments to its Gas Balancing Account. The corresponding increases in Applicant's tariff rates to its customers are cost-justified, necessary to preserve Applicant's financial integrity, necessary to insure a reliable and consistent utility service, are just and reasonable, and the increases in Applicant's tariff rates should be approved and allowed in accordance with the foregoing Findings of Fact. The Report and Order in this matter, and the tariffs filed by Applicant on February 1, 2001, should be made final until further order of this Commission.

3. The uniform commodity method of allocating adjustments among all of Applicant's rate classifications as heretofore approved by this Commission, in previous gas fuel cost cases, is consistent with the public interest and should be utilized in this case.

Based upon the foregoing Findings of Fact and Conclusions of Law, the Commission enters the following:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Report and Order in this matter, under the date of February 1, 2001, is hereby adopted and confirmed, the Order is made final, and the application in this matter is approved.
2. The tariff rates and charges, heretofore filed by Utah Gas Service Company with this Commission pursuant to the Report and Order of February 1, 2001, are hereby ratified, affirmed, and are made final and effective as the rates and charges of said Company until further order of the Commission.
3. This Order is effective upon the date of its issuance.
4. Pursuant to the Utah Administrative Procedures Act, the Commission issues the following notice that any party aggrieved by the Commission's Order may file a written request with the Commission for rehearing of the Commission's Order pursuant to Sections 54-7-15 and 63-46b-13, Utah Code Annotated, 1953, as amended. Any applications for rehearing must be filed with the Commission within twenty (20) days after the issuance of this Report and Order. Failure to do so constitutes a waiver of the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 5th day of April, 2001.

/s/ A. Robert Thurman
Administrative Law Judge

Approved and Confirmed this 5th day of April, 2001, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary