

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of UTAH)
GAS SERVICE COMPANY, a)
Corporation, for Authorization to Make)
Adjustments in its Gas Balancing)
Account and to Incorporate Changes in)
the Cost of Gas that Utah Gas Service)
Company Purchases from Others)

DOCKET NO. 01-059-01

REPORT AND ORDER AND
NOTICE OF HEARING

ISSUED: February 1, 2001

SYNOPSIS

By this Order, the Public Service Commission of Utah approves the application of Utah Gas Service Company to make adjustments in that company's Gas Balancing Account, together with related rate increase adjustments and also approves increases in rates due to projected increases in the cost of gas purchased from others. Both aspects of the Application each result in rate increases. The proceeding is designated as formal, and a hearing is set on the application.

By The Commission:

On January 16, 2001, Utah Gas Service Company ("Utah Gas") filed a Request for Agency Action and application for authorization to increase its rates and charges. The increases are due to adjustments in Applicant's Gas Balancing Account and also to increased costs of gas that Utah Gas purchases from third party suppliers. Utah Gas has filed documentary evidence and materials in support of its application.

The Commission, having considered the application and the documentary evidence and exhibits attached in support thereof, having reviewed the recommendation of the Division of Public Utilities, and having determined that this Commission has jurisdiction over the matter and that the application may be considered pursuant to Section 54-7-12, Utah Code Annotated, 1953, as amended, other applicable statutes, and the Rules of Practice and Procedure of this Commission, and finding that the application has been prima facie established, makes the following Findings of Fact, Conclusions of Law, and its Order based thereon.

FINDINGS OF FACT

1. Utah Gas is a public utility authorized to distribute gas in Daggett, Uintah, Grand, and San Juan Counties, Utah.
2. It appears to be in the public interest to issue a Report and Order based on the Findings herein and set a time for hearing in accordance with Section 54-7-12, Utah Code Annotated, 1953.
3. Applicant proposes to increase the surcharge presently incorporated in its rates pursuant to its Gas Balancing Account approved earlier by this Commission. A balance of \$802,609 was in the account as of December 31, 2000. Applicant seeks authorization in this application to increase the surcharge presently incorporated in rates from 1.7825 cents per therm to 7.7044 cents per therm in order to amortize the balance in the account.
4. Applicant estimates that it will sell 10,417,523 therms of gas in the next 12 months. When the account balance of \$802,609 is divided by the therms estimated to be sold during the next twelve months, after allowance for the surcharge presently incorporated in rates, the result is to change the present surcharge from 1.7832 cents per therm to a new surcharge of 7.7044 cents per therm, or a net adjustment of 5.9212 cents per therm.

5. The Application reflects several increases in gas costs from Applicant's various gas suppliers. The data regarding these various gas price changes is voluminous, and the application itself is therefore incorporated herein by this reference for that information. The changes in the cost of gas to Applicant for the period set out in the application will result in an annualized gas cost of \$4,608,889 which is \$2,103,902 more than the total gas cost presently incorporated in rates. When the total gas cost increase in the amount of \$2,103,902 is divided by the number of therms estimated to be sold, the increase amounts to 20.1958 cents per therm.

6. The combined effect of the balancing account surcharge adjustment and gas cost increases will be an increase in rates of 26.1170 cents per therm to all rate levels, or an annualized rate increase of \$2,720,748 to all customers. The "monthly fixed charge per customer" will remain unchanged. The effect on the average residential customer is a 41.66 percent increase. Applicant proposes to distribute the increase to its rates using the uniform commodity method. That method allocates an equal amount of the increase to each therm to be sold and is consistent with the prior direction of this Commission in similar cases.

7. The proposed increases in rates, supported by the application, are just and reasonable, and should be allowed on a tentative basis pending a hearing on the application.

8. The Division of Public Utilities has reviewed the application and supporting documentation submitted by Utah Gas and has recommended that the Commission grant the application, subject to a hearing.

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 proposed rate schedules filed by Utah Gas with the Application are just, reasonable, and cost-justified for gas sold on and after the date of this Report and Order. Approval of the proposed rates and charges effective on the date ordered below appears to be in the public interest.

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

4. A public hearing should be held within 30 days from the date of issuance of this Report and Order for the purpose of allowing interested parties to present evidence regarding the application herein or the Commission's Findings of Fact, Conclusions of Law, and Order based thereon. The application and hearing should be designated as a formal proceeding and conducted according to the provisions of Sections 63-46b-6 through 63-46b-11, Utah Code Annotated, 1953.

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

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

Utah Gas Service Company is hereby authorized to file with this Commission new schedules of rates and charges to be made in conformity with the Findings of Fact and Conclusions of Law above-stated, such new schedules to be effective commencing February 1, 2001, and shall apply to service rendered on and after that date, until further Order of the Commission. The new schedules shall make reference to this Order as authority therefor.

IT IS HEREBY ORDERED, that the application and the hearing thereon are designated as a formal proceeding and will be conducted according to the provisions of Sections 63-46b-6 through 63-46b-11, Utah Code, and Utah Gas shall mail or serve notice of the same upon the Commission and other potential parties of record in the manner provided below.

Interested parties wishing to intervene in the proceeding or to protest the application are encouraged to file their petitions and/or protests on or before February 19, 2001; the Commission will not accept interventions or protests unless the same are in writing, conform to the Commission's Rules, and are filed on or before one day prior to the scheduled hearing date.

IT IS FURTHER ORDERED, that a public hearing be held on the application to allow interested parties to appear and present evidence regarding the application, or the Commission's Findings of Fact, Conclusions of Law, and Order.

The hearing will be held before an Administrative Law Judge of the Public Service Commission at his hearing room, Fourth Floor, Heber M. Wells State Office Building, 160 East 300 South, Salt Lake City, Utah, on Thursday, March 15, 2001, commencing at the hour of 1:00 p.m. Any person who fails to intervene and attend the hearing may be excluded from participation by default.

IT IS FURTHER ORDERED, that Utah Gas Service Company shall notify each of its customers by mail (billing stuffer) of the purpose of the application, the opportunity to protest and to whom and the date and place of the hearing on the application.

IT IS FURTHER ORDERED, that this Order become effective on the date of its issuance.

The presiding officer for the hearing is A. Robert Thurman, Administrative Law Judge, Public Service Commission of Utah, 160 East 300 South, Fourth Floor, Heber M. Wells State Office Building, P.O. Box 45585, Salt Lake City, Utah 84145, telephone (801) 530-6716.

Any party desiring to inspect the application and/or the Commission's Report and Order may do so by contacting the Commission at the address above-stated or by contacting Applicant's attorney, Thomas M. Zarr, 1134 South 1700 East Street, Salt Lake City, Utah 84108, telephone (801) 883-0515 or by visiting the local service offices of Utah Gas.

DATED in Salt Lake City, Utah this 1st day of February, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary