

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Verified Application of : Docket No. 05-057-13
QUESTAR GAS COMPANY for a change in :
the interest rate used in the Extension Area
Charge calculations. REPORT AND ORDER

Issued: September 30, 2005

SYNOPSIS

The Commission, for good cause shown, grants Questar Gas' application for a change in the interest rate applied to the non-refundable contribution being paid by certain communities of the Company's service territory through Extension Area Charges and instructs Questar Gas to use the after-tax rate of return in analyzing the payoff date for each EAC area in accordance with the orders issued by this Commission in each EAC docket.

By the Commission:

PROCEDURAL HISTORY

On September 23, 2005, Questar Gas Company (Questar Gas or the Company) applied to the Utah Public Service Commission (Commission) for a change in the imputed interest rate applied to the non-refundable contribution being paid by certain communities of the Company's service territory through Extension Area Charges (EAC). In accordance with the Commission's rules, and for good cause shown, we grant Questar Gas' application and enter the following Final Report and Order:

FINDINGS OF FACT

Questar Gas is a public utility that provides retail natural gas service in the states of Utah, Wyoming, and Idaho and is subject to the Commission's jurisdiction in all aspects related to this Application.

1. The Company extended natural gas service to certain communities between 1996 and 2000. In order to ensure that the service extension did not have a negative impact on existing customers, a non-refundable contribution was required. When the communities could not pay their contributions up front, the Company agreed to collect these contributions through a monthly EAC over an estimated period of 10 to 15 years. Interest on the unpaid balance was calculated using the Company's pre-tax rate of return. The estimated period of time over which the EAC would be collected varied depending primarily on the impact of customer growth in each extension area. When the contribution, including interest, was paid off, the EAC would be discontinued.

2. In the exhibits that accompanied the applications, the Company proposed and the Commission approved the use of the Company's pre-tax rate of return as authorized in the Company's most recent general rate case. In doing similar analyses for extension area rates prior to 1996 the Company had used the after-tax rate of return. These analyses resulted in extension areas that paid, or are paying, under the GSS rate schedule.

3. In order to make the interest rate consistent between the two sets of extension areas (the EAC and the GSS areas), the Company has proposed in this application to change the interest rate used in the present value calculations for the EAC areas from the pre-tax rate of return to the after-tax rate of return.

4. The Company, the Division of Public Utilities (Division) and the Committee of Consumer Services (Committee) met together at least three times to discuss and analyze this issue. These parties agreed that the Company should file an application to change the interest rate. Questar Gas has represented that the Division would support this application and the Committee will not oppose the change.

5. The Division, by memorandum dated September 26, 2005, recommends that the change in interest rates be approved as requested. The Division also recommends that the Commission's approval be expedited.

6. The Commission has confirmed that the Committee does not oppose this application.

7. We find Questar Gas' proposal to use the after-tax rate of return to calculate interest for the EAC analyses is just and reasonable and in the public interest. This change will result in the customers in the EAC areas paying the EAC for a shorter period than with the currently approved interest rate. No change in rates is proposed in this application.

CONCLUSIONS OF LAW

1. The Commission has party and subject-matter jurisdiction.
2. Questar Gas has shown that the proposed change in interest rates is just and reasonable.
3. The Commission grants Questar Gas' application under Commission Rule 746-110-2, which allows for matters unlikely to be opposed or contested to be adjudicated informally and allows the Commission for good cause shown to enter a final order and waive the 20-day waiting period.

ORDER

NOW THEREFORE, IT IS HEREBY ORDERED:

1. That the Commission will enter this order pursuant to Rule 746-110-2, without further proceedings or hearing on the matter.

2. That the 20 day waiting period is waived so that the change may be made effective as soon as possible in order to benefit customers. As such, this Order constitutes the Commission's Final Order on this matter.
3. That Questar Gas Company's request to use the Company's currently allowed after-tax rate of return in the EAC interest calculations is granted.

Pursuant to Utah Code 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 30th day of September, 2005 by:

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
GW#45982

