

In the Matter of the Application of)
MOUNTAIN FUEL SUPPLY COMPANY)
to Adjust Rates for Natural Service in Utah)

Docket Nos. 95-057-30,
96-057-12, and 97-057-11
ORDER APPROVING
LETTER AGREEMENT

ISSUED: March 29, 1999

By The Commission:

On December 31, 1998 we issued our final order in this case. In the Order, however we failed to approve the December 18, 1997 Letter Agreement reached between the Division of Public Utilities and Mountain Fuel Supply Company, now Questar Gas Company, which set forth the treatment of gathering costs for rate making purposes. The key points of the Letter Agreement called for the use of gathering centers rather than 38 gathering areas to calculate weighted average gathering costs, the use of volumes during the months of November through March of each year rather than deliverability for allocation of gathering costs, use of a rate design of 60% demand, and 40% commodity for recovery of costs from Mountain Fuel. Also included were the use of Mountain Fuel's rate of return and average rate base method in calculation gathering costs, separate treatment of Black's Fork area, and finally to move treatment of gathering costs from pass-through to general rate case by transferring gathering costs from supplier non-gas to distribution non-gas in rates. The parties had agreed to all but item number 6 which dealt with the Division's position that as of March 1, 1996, Mountain Fuel's share of gathering costs be determined by relative volumes which we rejected in our Order. The Company disputed the use of March 1, 1996 as the effective date for determining gathering costs by relative volumes and stated that it would make the called for changes on a prospective basis effective September 1, 1997.

The Letter Agreement also set forth the steps for calculating the gathering rates which included: 1) how the cost of service for each cost center would be determined, 2) that Mountain Fuel's part of the costs of service would be based on its share of the historic volumes gathered during the test year based on the five months of November through March, 3) that Mountain Fuel's costs for each would be summed to calculate the Total Mountain Fuel Cost and that volumes for each cost center would be summed to calculate the MFS Total Volume, 4) how the monthly demand charge would be calculated, and 5) how to implement the change from pass-through to general rate case treatment. (See Agreement at page 2).

Based upon the foregoing, and good cause appearing therefore, the Commission makes the following:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that the December 18, 1997 Letter Agreement reached between the Division and Mountain Fuel Supply Company is in the public interest and that the rates, terms, and conditions provided are just and reasonable, therefore it is hereby approved with an effective date of September 1, 1997.

DATED at Salt Lake City, Utah, this 29th day of March, 1999.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary