

In the Matter of the Application of)
QUESTAR GAS COMPANY for)
Approval of an Extension Area)
Charge for PANGUITCH, UTAH.)

DOCKET NO. 98-057-02

ORDER

ISSUED: May 7, 1998

SYNOPSIS

On March 23, 1998, Questar Gas Company (QGC or Company) filed an application requesting Commission approval for QGC to extend natural gas service to customers in and around Panguitch, Utah, pursuant to House Bill 180, which became effective on March 21, 1998. House Bill 180 provides for Commission approval of an application to extend natural gas service to previously unserved municipalities if certain requirements are met. The Commission finds that QGC has met the requirements established by House Bill 180 and grants approval of its application for an Extension Area Charge (EAC) for Panguitch, Utah.

By the Commission:

FINDINGS OF FACT

QGC is a public utility engaged in the distribution of natural gas to customers in the State of Utah. Its Utah public utility activities are regulated by this Commission and conducted in accordance with the Company's tariff which is on file with this Commission.

QGC applied to this Commission for approval to extend natural gas service to Panguitch, Utah, pursuant to House Bill 180. House Bill 180, which amends Utah Code Ann. §§ 54-3-8 and 54-4-8 (1994) and § 63-55-254 (1997), provides for Commission approval of an application to extend natural gas service to previously unserved municipalities if the following requirements are met:

- (a) The extension of service cannot be economically provided under existing tariff provisions for extension of services;
- (b) The charges to customers in the extension areas will not be less than the charges to customers in areas where service has been extended under existing tariff provisions on a per customer basis; and
- (c) Any application, together with any increases that could result from previously approved applications, does not result in an incremental increase in annual rates and charges to existing customers of more than one-fifth percent as measured by rates in effect on July 1, 1998.

To facilitate bringing natural gas service to Panguitch, QGC would construct approximately 19.7 miles of high-pressure steel line. The line would connect to the existing southern Utah line at Fremont Pass and proceed southeast to Highway 89 and then south along Highway 89 to the town of Panguitch. A distribution system would also be constructed in Panguitch to provide natural gas to customers.

QGC projects that the cost of constructing a natural gas transmission line and distribution facilities required to bring natural gas to Panguitch would be approximately \$3.9 million. Under QGC's New Service Extension Area Tariff, Section 7.01, using GS-1 rates, this project would require an up-front non-refundable payment between \$2.7 and \$2.9 million. According to the Company, if this up-front contribution were to be satisfied by a monthly EAC it would range

between \$55 to \$75, or between \$660 to \$900 annually, for residential customers. An EAC of this magnitude would make natural gas service uneconomical for customers in Panguitch.

QGC states that it canvassed prospective customers in the Panguitch area and found that approximately 460 desired to receive natural gas service and would agree to pay a \$30 EAC in conjunction with GS-1 rates. Based on its previous experience in expansion areas, and on the level of support offered by Panguitch City officials, the Company expects additional customers to sign for service as the system is constructed.

The Company provides in its application that its proposed \$30 EAC for Panguitch customers in conjunction with GS-1 rates, results in per customer charges that are greater than the Company's two prior applications for extension of service using an EAC with GS-1 rates. Customers in Panguitch will also pay more for gas service than customers who are served on GSS rates.

QGC states in its application that the potential increases resulting from this application will not result in an incremental increase in annual rates and charges to existing customers of more than .2%. Under Tariff Section 7.01, the total nonrefundable payment that would be required to bring natural gas to Panguitch using GS-1 rates is \$2,862,000. The present value of estimated EAC revenues for Panguitch is \$1,255,000. The difference between the two amounts is \$1,607,000. The potential impact on the typical residential customer to allow for the proposed EAC rate for Panguitch is approximately \$.32 per year. QGC contends that this is a conservative estimate which represents approximately .05% of a potential incremental increase in annual rates and charges to existing customers.

To facilitate bringing natural gas to Panguitch, QGC proposes adding Panguitch to the EAC provision in its tariff Section 8.03. QGC proposes a monthly EAC of \$30 for both residential and commercial customers with an additional \$2.7481 per decatherm charge for commercial customers for decatherm usage above 45 per month. QGC projects that these charges will apply for 15 years, which would recoup on a present value basis approximately \$1,255,000. When the present value of the EAC equals this amount, QGC will cease collecting the EAC for Panguitch.

CONCLUSIONS OF LAW

Based on the Company's Application and its supporting documentation, the Commission concludes that the Application should be approved. We find that the Application appears to conform to the requirements of 54-3-8.1 in that this area cannot be economically served under normal extension policies, customers in Panguitch will not be charged less than customers in areas where service has been extended under existing tariff provisions, and the \$30 EAC for Panguitch is estimated to have only a .05% potential increase in annual rates and charges to existing customers which will be less than .2% as measured by rates that will be in effect on July 1, 1998.

Section 54-3-8.1(2) imposes limits on funds expended. The Company should file reports, as appropriate, with the Division, so as to assist in an evaluation as to compliance with that section.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that Questar Gas Company's Application for Approval of an Extension Area Charge for Panguitch, Utah, is approved.

IT IS FURTHER ORDERED that Questar Gas Company furnish information regarding Section 54-3-8.1(2) to the Division, as appropriate.

DATED at Salt Lake City, Utah, this 7th day of May, 1998.

/s/ Stephen F. Mecham, Chairman

(SEAL) /s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary