



State of Utah

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PRESS RELEASE

FOR IMMEDIATE RELEASE

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PSC Issues Order on Gas Composition Management Costs for Questar Gas Company

The Utah Public Service Commission (Commission) today issued its order approving a stipulation addressing customer safety issues with Questar Gas Company (Questar Gas). The order states that customers will bear no cost for gas composition management prior to February 2005 amounting to millions of dollars in customer savings. After that date, the order provides for gas quality management over the next three years during a transition period while customers have older appliances adjusted to burn safely. Also, as a result of the stipulation, Questar Gas will provide free furnace inspections to thousands of low income households.

The stipulation was entered into by Questar Gas Company, the Utah Division of Public Utilities (Division), and the Utah Committee of Consumer Services (Committee). The agreement was reached following a year of technical conferences, intense negotiations, and the advice of technical consultants.

Before entering into this agreement, the Division and Committee hired technical experts to analyze 14 different alternatives to manage gas composition and to protect customer safety. Both agencies concluded that customer safety would be at risk without action by Questar Gas to manage the heat content in the gas supply. They concluded that processing lower heat content gas over a transition period while customers have their appliances adjusted is the lowest cost alternative.

The gas composition issue and the cases associated with it have a complex and controversial history. A prior Commission order dealing with this subject concluded that Questar Gas Company had failed to demonstrate it had appropriately addressed this issue. The Commission refunded customers' previously collected gas composition management costs and directed Questar to reassess and identify a long-term solution.

The facts and evidence in this case demonstrate several important differences from the prior order. These differences include: 1) Questar Gas Company is now using more of the lower heat content gas than ever before. This gas has proven to be an economical source of supply, thus saving Utah customers millions of dollars. 2) The Commission did not find a lower cost or more effective alternative for ensuring customers' safety when burning this new type of gas in their furnaces. 3) The presence of this new type of gas results from changes in nation-wide supplies of natural gas.

Julie Orchard, Commission spokesperson states, “This issue has been intensively investigated, aggressively negotiated by the parties, and results in a just and reasonable outcome for ratepayers.” “Plus,” she adds, “It resolves customer’s safety issues.”

The effect of this order will increase gas utility bills approximately 50 cents per month over the next three years. In another case to be considered this month, Questar Gas and the Division are asking the Commission to lower rates by a dollar per month.

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**Press Release Attachment
January 6, 2006**

**Utah Public Service Commission
Key Elements of Gas Management Order**

“In considering the prudence of Questar Gas’s decision to use the CO₂ Removal Plant to manage the heat content of its gas supplies since February 1, 2005, we must consider the facts and conditions as they existed at that time.” (page 33)

“The record in these dockets . . . indicates that the Company’s customers have benefitted from the shipment of coal bed methane by Questar Pipeline and that coal bed methane has become an important component of Questar Gas’s gas supplies. Since 2002, coal bed methane has accounted for a significant portion (up to 40 percent) of the Company’s annual gas supply purchases, compared to less than 5 percent only a few years earlier.” (page 34)

“The amount of coal bed methane on the interstate pipeline system is increasing and represents an increasingly important source of gas to meet growing customer demand as traditional gas supplies decline.” (page 34)

“. . . Questar Gas has agreed to forego request of any recovery of gas management costs incurred prior to February 1, 2005 . . .” (page 35)

“. . . no Party believes it would be reasonable to pursue actions at the FERC to attempt to keep coal bed methane off of Questar Pipeline. Indeed, it appears that pursuing such actions would be detrimental to Questar Gas customers.” (page 35)

“The extensive analysis represented by these technical conferences and discovery activities resulted in comprehensive and detailed oral and written testimony by Company, Division, and Committee witnesses. Key within this testimony are the Parties’ conclusions that Utah customers have benefitted financially from the presence of coal bed methane on the Questar Gas system . . .” (pages 36 & 37)

“It is equally clear that safety, efficiency, and cost considerations, not affiliate interests, led Parties to conclude that operation of the CO₂ Removal Plant is the preferred course of action during the stipulated transition period.” (page 37)

“The Company conducted a transparent decision-making process open to the public and subject to scrutiny by any interested person.” (page 37)

“The Parties to the Stipulation represent the interests of Questar Gas, the public interest generally, and the specific interests of residential, small commercial, and agricultural customers. The Division and Committee were assisted in their analyses not only by their staffs, but by separate, retained consultants. The Parties were initially deeply divided in their views, as demonstrated by the prior proceedings on this issue. Nonetheless, they were able to reach agreement on the Stipulation following extensive discovery, technical conferences, and arms-length negotiations.” (pages 39 & 40)