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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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| In the Matter of the Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders | Docket No. 05-057-T01<br><br>**SETTLEMENT STIPULATION** |

Pursuant to Utah Code Ann. § 54-7-1 (Supp. 2005) and Utah Administrative Code R746-100-10.F.5 (2005), Questar Gas Company (Questar Gas or the Company), the Utah Division of Public Utilities (Division), Utah Clean Energy and the Utah Committee of Consumer Services (Committee) (all of the foregoing collectively Parties), submit this Stipulation to agree to a settlement of the issues raised in this docket.

## PROCEDURAL BACKGROUND

1. The Joint Application was filed in this docket on December 16, 2005. The Joint Application requested approval of a Conservation Enabling Tariff (CET) and Demand-Side Management (DSM) Pilot Program and an associated $10.2 million rate reduction and issuance of related accounting orders.

2. Direct Testimony with respect to the Joint Application was filed on January 23, 2006, by Company witness Barrie McKay; Division witnesses Artie Powell and George Compton; and Utah Clean Energy and Southwest Energy Efficiency Project (SWEEP) witness Howard Geller. On May 15, 2006, pursuant to the Commission's Second Amended Scheduling Order, rebuttal testimony was filed by Committee witness David Dismukes, UAE witness Kevin Higgins, and URA witness Betsy Wolf.

3. On May 10, 2006, certain of the Parties entered into a Rate Reduction Stipulation, proposing to reduce the Company's rates and charges by $9.7 million effective June 1, 2006. Following a hearing on May 17, 2006, the Commission approved the Rate Reduction Stipulation on May 26, 2006, and the rate reduction was implemented.

4. Technical Conferences and workshops were held on January 12, 13 and 20, April 26 and June 7, 2006. At the June 7, 2006 Technical Conference, Commission Staff raised questions that were addressed by the parties. At the conclusion of the Technical Conference, parties were urged to provide any additional information responsive to the Staff's questions in testimony.

5. Pursuant to the Third Amended Scheduling Order, supplemental rebuttal testimony was filed by Committee witness David Dismukes on June 30, 2006. On

August 14, 2006, surrebuttal testimony was filed by Company witness Barrie McKay, Division witnesses Artie Powell and George Compton, Utah Clean Energy and SWEEP witness Howard Geller, and Natural Resources Defense Council witness Ralph Cavanagh in support of the Joint Application.

**TERMS AND CONDITIONS**

6. Settlement in Public Interest. Following extensive analysis, review and arms-length negotiations, and without waiver or acceptance of the claims, testimony or objections of any party, the Parties have agreed to compromise and settle their differences with respect to the Joint Application in this docket and to enter into this Stipulation. The Parties agree that approval of this Stipulation is in the public interest, is consistent with just and reasonable rates, and will benefit customers by allowing a $1.1 million credit to the CET balancing account and by requiring the Company to request Commission approval of demand-side management/energy efficiency programs/measures (DSM Programs) within 60 days of the date the Commission approves this Stipulation (Approval Date).

7. Three-year Pilot Program. The Parties agree to the implementation of a three-year Pilot Program beginning on the Approval Date and ending three years from the Approval Date. The Pilot Program consists of a DSM component and a CET component. The 1-year Review described in paragraph 16 below, applies only to the CET component of the Pilot Program.

8. CET. The Parties agree that the CET as described in the proposed tariff sheets attached shall be implemented effective as of the first day of the month following the Approval Date (Effective Date).

9. Accruals to CET Balancing Account. The Parties agree that the Company will credit $1.1 million to the CET balancing account upon the Effective Date. Additional accruals will be made to the CET balancing account as if the CET had been in effect commencing July 1, 2006.

10. CET Balancing Account Amortization. The Company will make semi-annual filings, normally in conjunction with, but separate from, its semi-annual gas cost pass-through filings, to request Commission approval for amortization in rates of the CET balancing account. In the first such filing, the Company will seek to amortize the $1.1 million credit, reducing GS rates by that amount. The Company will request that additional accruals be amortized in subsequent semi-annual filings.

11. Limits on CET Amortization and Accrual in First Year. Through August 2007, the Company may not amortize CET accruals amounting on a net basis to more than 0.5% of total Utah jurisdictional GS revenues based on the most recent 12-month period at the time of the amortization. Through August 2007, the Company may not accrue a net amount to the CET balancing account for amortization that totals more than 1.0% of the total Utah jurisdictional GS revenues based on the most recent 12-month period. It is estimated that 1% of Utah jurisdictional GS revenues could range from approximately $7.5 to $9.5 million.

12. DSM Programs. The Parties agree that the Natural Gas DSM Advisory Group (DSM Advisory Group) will collaborate with the Company in its filing an application no later than 60 days following the Approval Date requesting expedited approval of DSM Programs. The Parties will work in good faith as members of the DSM Advisory Group to recommend DSM Programs that will have an immediate benefit to

customers in the winter 2006-2007 heating season. In anticipation of Commission approval of these DSM Programs, the Company will take all necessary and reasonable steps to be able to execute such DSM Programs upon receiving Commission approval. The Parties, as members of the DSM Advisory Group, also agree to continue to collaborate with the Company in its filing for Commission approval of additional cost-effective DSM Programs as soon as reasonably possible after Commission approval of the first set of DSM Programs.

13. DSM Program Funding, Accrual and Amortization. The Company agrees to propose for Commission approval DSM Programs anticipated to cost from $2 to $5 million during the first year of the Pilot Program. The Company will include all approved DSM costs in a DSM deferral account and will amortize them as set forth in the Joint Application as modified by this Stipulation. The Company will transfer $1.3 million into this account from unexpended funds collected for research and development. At least $250,000, subject to Commission approval, of the amount spent on DSM in the first year of the Pilot Program will be allocated to the Low-Income Weatherization Program that the Company currently funds or other low income energy-efficiency programs. Upon Commission approval, this amount could increase.

14. Accounting Orders and DSM Advisory Group. The Parties request that the Commission issue accounting orders establishing the CET balancing account and the DSM deferral account as requested in the Joint Application as modified by this Stipulation. The Parties request that the Commission confirm within this docket the existence of the DSM Advisory Group, comprised of representatives of the Company,

Division and Committee and any other interested persons, to perform the activities described in the Joint Application and this Stipulation.

15. CET and Alternatives: Provision of Data, Assistance and Discovery. The Company will provide data that is available to the Company with respect to any aspect of the Pilot Program to any Party requesting the data for the purpose of evaluating the CET or developing an alternative to the CET (Alternative). The Committee will examine, and may propose for consideration, an Alternative or Alternatives. If any Party believes it is necessary to serve discovery requests in order to facilitate the foregoing, the Parties agree that discovery may occur in accordance with the Third Amended Scheduling Order and the Commission's rules, provided that the discovery response time shall be 15 business days unless otherwise agreed by the Party issuing the discovery request and the Party to whom the discovery request is directed. Any Party providing discovery responses shall serve a copy on all other Parties. The Parties propose that a technical conference be scheduled on or about April 18, 2007 to review the status of potential Alternatives and recommendations to advocate continuance of the CET. When any Party schedules a meeting intended to be open to all Parties, it shall provide notice of the meeting to all Parties. This process will allow the Parties to develop evidence during the first year of the Pilot Program upon which to develop positions to be asserted in the 1-year Review described below.

16. 1-year Review. During the first year of the Pilot Program, the Parties request that a Commission proceeding be held at which Parties will have the opportunity to propose Alternatives to the CET to be in effect during the balance of the Pilot Program. This proceeding shall be referred to hereafter as the "1-year Review." For

purposes of the portions of this Stipulation dealing with the rights of the Parties during the Pilot Period and 1-year Review, the term Party or Parties shall refer to the Parties to this Stipulation, any person that has previously been granted intervention in this docket and to any other person granted intervention by the Commission in this docket hereafter.

17. Schedule for Proposing Alternatives or Advocating Continuance of the CET. Any Party wishing to propose an Alternative or Alternatives or to advocate continuance of the CET shall file written testimony or a position statement in support of its position with the Commission and serve it on all Parties (as provided in the Third Amended Scheduling Order) not later than June 1, 2007. If no Party files written testimony or a position statement in support of an Alternative or to advocate continuance of the CET by June 1, 2007, the CET shall be discontinued on September 30, 2007.

18. Procedural Conference. The Company shall request that the Commission schedule a procedural conference within ten days following the filing of any written testimony or position statement pursuant to the provisions of the foregoing paragraph, or as soon thereafter as the Commission is available, for the purpose of scheduling additional proceedings in the 1-year Review. The Parties will cooperate in good faith to schedule technical conferences, rebuttal testimony, filing of legal briefs and replies and a hearing or hearings (or other proceeding acceptable to all Parties) for the purpose of completing the presentation of the positions, evidence and legal argument of the Parties with respect to an Alternative or with respect to supporting or opposing continuation of the CET to the Commission not later than September 14, 2007. The Parties will cooperate in good faith to expedite the process.

19. Limitations on Parties' Positions. All Parties will be free to provide evidence and to advocate in support of any position during the 1-year Review except as expressly provided in this Stipulation. The Company, Division and Committee shall not raise arguments opposing continuation of the CET or adoption of an Alternative during or prior to proceedings relating to the 1-year Review based on a contention that the Commission lacks authority to approve the CET, the Pilot Program or an Alternative or that proper procedures have not been followed in approval of the CET, Pilot Program or an Alternative. All Parties other than the Company, Division and Committee are free to raise any legal or procedural argument with respect to approval of the CET, Pilot Program or an Alternative during the 1-year Review or at any other time.

20. Burden of Proof. Each Party proposing any Alternative or continuation of the CET will bear the burden of proof with respect to such proposal. There will be no presumption in favor of any Alternative or continuation of the CET.

21. Issuance of Decision. The Parties request that the Commission promptly issue a decision following conclusion of the proceedings in the 1-Year Review that will determine whether and, if so, under what terms and conditions, the CET or an Alternative will proceed during the last two years of the Pilot Program. The CET shall continue as provided in this Stipulation until the Commission issues a decision following conclusion of the proceedings in the 1-year Review. If the decision is not issued prior to October 1, 2007, the limitations applicable to the CET amortization during the first year will begin anew on an annual basis during the second year and third year of the Pilot Program until a decision is issued.

22. No Waiver. The Parties expressly acknowledge and agree that no party to this docket has waived any contention regarding the jurisdiction of the Commission to approve this Stipulation, or regarding whether the Commission can lawfully approve the CET or the Pilot Program and that approval of this Stipulation by the Commission shall not be deemed to be such a waiver or to bind the Commission or any party with respect to that issue except as otherwise expressly provided in this Stipulation. Nothing in this Stipulation or its approval shall be deemed to deprive the Commission from initiating, or any Party or person from requesting, a general rate case during the Pilot Program if it believes the rates and charges of the Company are unjust or unreasonable. Except as expressly provided in this Stipulation, any person may seek to initiate a proceeding to terminate the Pilot Program at any time.

23. Amortization of CET Balance upon Termination of the CET. In the event the Commission terminates the CET as a result of or after the 1-year Review, the Parties agree that any balances accrued in the CET balancing account may be amortized in accordance with the terms of the tariff or as ordered by the Commission.

**MISCELLANEOUS PROVISIONS**

24. All negotiations related to this Stipulation are privileged and confidential and no party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting this Stipulation shall be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking, or the basis of an estoppel or waiver by any Party other than with respect to issues explicitly resolved by this Stipulation; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party to this

Stipulation except a proceeding to enforce the approval or terms and conditions of this Stipulation. The Parties believe that this Stipulation is in the public interest and that the rates, terms and conditions it provides for are just and reasonable.

25. The Company, Division and Committee each agree to present testimony of one or more witnesses to explain and support this Stipulation. Such witnesses will be available for examination.

26. The Parties agree that if any other party, entity or individual challenges the approval of this Stipulation, requests rehearing of any approval of the Stipulation or appeals the approval of this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation at the Commission and at the applicable appellate court.

27. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material condition on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by an appellate court, each Party reserves the right to withdraw from this Stipulation. If such a decision of the Commission or an appellate court is issued, any Party contemplating withdrawing from this Stipulation shall notify the other Parties to this Stipulation that it is contemplating withdrawing within five business days of the date such decision is issued. Upon receipt of such a notice, the Parties agree to meet promptly and discuss the Commission or court decision and to attempt in good faith to reach a modified stipulation. If the Parties reach impasse in their discussions, any Party may withdraw from the Stipulation by providing written notice of withdrawal to the Commission and the parties to this proceeding within ten days of reaching impasse. In

the event any Party withdraws from this Stipulation, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to undertake any steps it deems appropriate.

RESPECTFULLY SUBMITTED: September 12, 2006.

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