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Department of Commerce
Division of Public Utilities

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ACTION REQUEST

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Marlin H. Barrow, Technical Consultant
Artie Powell, Manager

Date: April 19, 2012

Subject: Docket No. 12-057-05, One-Time 191.1 Account Refund

ISSUE:

On April 10, 2012, Questar Gas Company (QGC) filed an application with the Utah Public Service Commission (PSC) for an Adjustment to the 191.1 Balancing Account by Means of a Special One-Time Refund. On April 11, 2012, the PSC issued an Action Request to the Division of Public Utilities (Division). This is the Division's response to that Action Request.

RECOMMEND APPROVAL

The Division has reviewed the application and recommends the PSC approve the one-time refund of \$41,987,890 as filed.

DISCUSSION:

As noted in the application, this request by QGC for a one-time refund is due to the over collection of gas costs from customers that has accrued in the 191.1 account balance during the

time period from December 2011 through April 2012. This over collection is reflected on line 68, column (H), of Exhibit 1.1 filed with the application which shows a balance accruing from a \$6.5 million under-collection in November 2011 to an estimated \$42.0 million over-collection by the end of April 2012. In order to better understand how this under or over-collection, in this case, can accrue in the 191.1 account we need to remember that the commodity gas cost rates customers pay each month are based on a combination of forecasted WEXPRO production costs and a forecast of future gas costs based on forecasted gas prices in the Rocky Mountain spot market which is filed during each 191 pass-through filing with the PSC. As actual WEXPRO production and gas purchases occur, the price QGC actually pays for these gas costs is compared to the price set in the pass-through filings and any differences between the two accrues to the 191.1 account. Any balance in this 191 account usually is collected or refunded to customers through a 191 amortization rate. This filing is a request for a one-time refund and is an exception to the normal collection or refunding mechanism through the 191 amortization rate.

Recent Pass-Through Filings

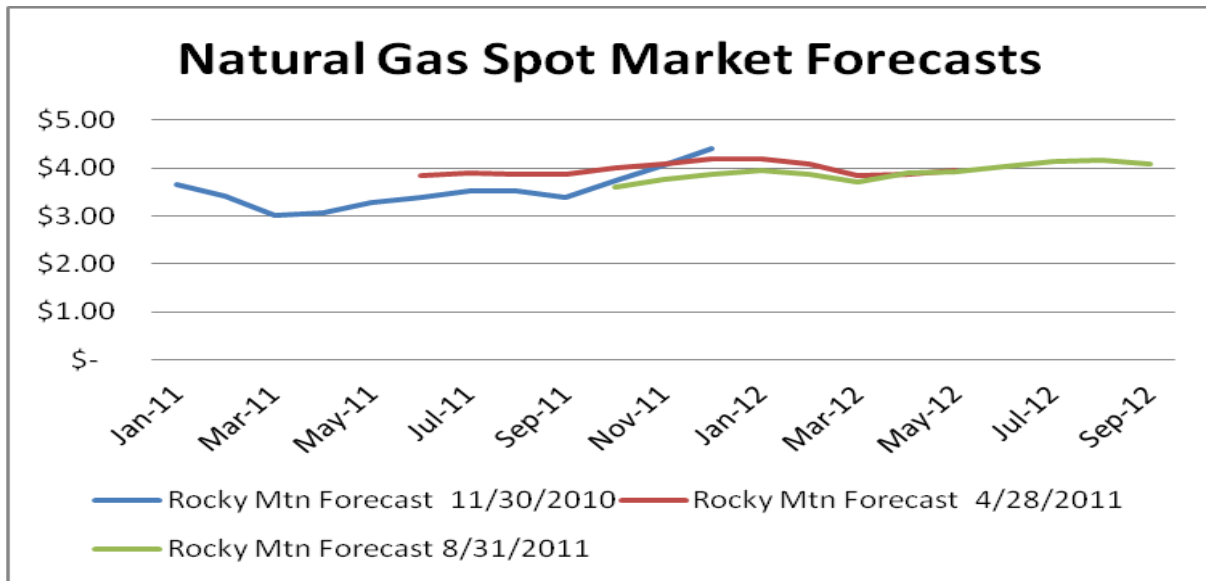
On November 30, 2010, QGC filed an application with the PSC to adjust their natural commodity gas rates, effective January 1, 2011, based on a Rocky Mountain price forecast from January 2011 through December 2011.¹ At that time the base commodity rate was set at \$4.15/Dth. On April 28, 2011, QGC filed another application with the PSC to again adjust their natural gas commodity rates, effective June 1, 2011, based on an updated Rocky Mountain price forecast from June 2011 through May 2012.² In this filing the base commodity rate was increased by \$0.06 to \$4.21/Dth. The most recent filing in which the base commodity portion of the gas cost rate was changed occurred in a filing filed on August 31, 2011, effective October 1, 2011, based on a Rocky Mountain price forecast from October 2011 through September 2012.³ This filing reduced the base commodity rate to \$4.17/Dth. Exhibit 1 on the following page graphically shows these three spot market forecasts that correspond to the above filings.

¹ See Docket No. 10-057-17.

² See Docket No. 11-057-02.

³ See Docket No. 11-057-08.

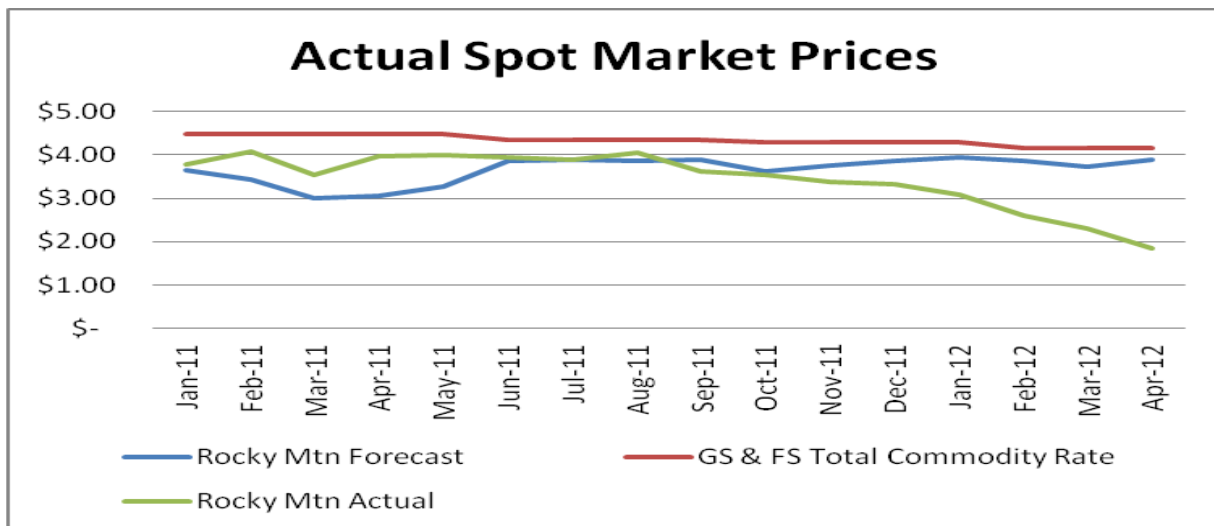
Exhibit 1



Actual Natural Gas Price History

Exhibit 2 shows the actual first of month prices at Opal, Wyoming which is the basis for the actual purchase price QGC pays for gas purchases. It also shows a rolling update of the above forecasts.

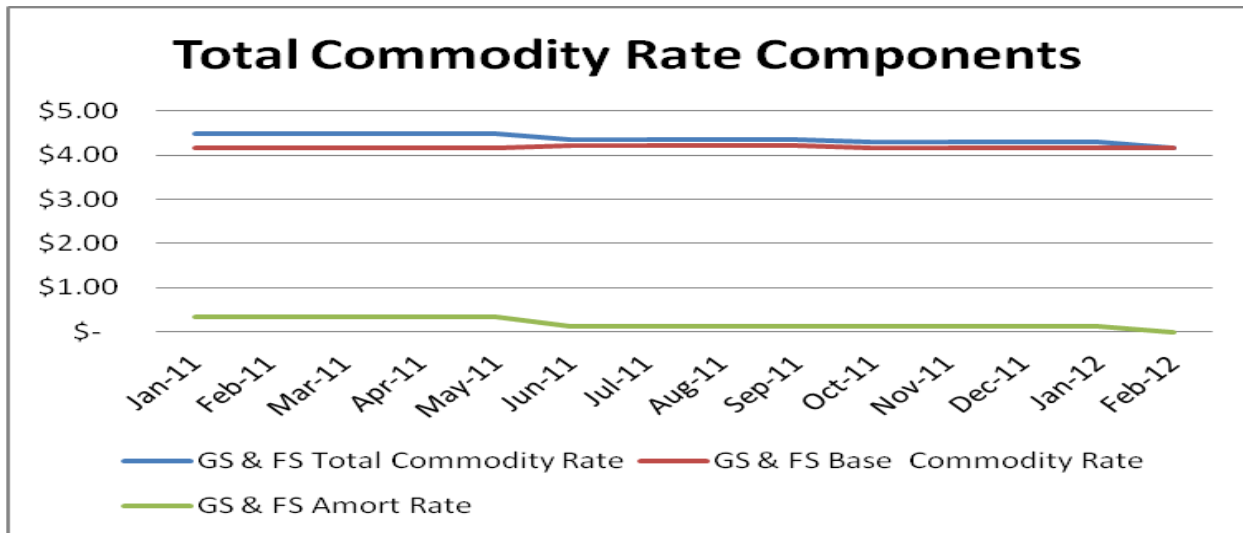
Exhibit 2



In reviewing Exhibit 2, one can see that from January 2011 through June 2011, actual gas prices were greater than forecasted but below the total gas commodity rate. In Docket No. 10-057-17,

which set the total commodity rate of \$4.49/Dth, with an effective date of January 1, 2011, the under-collected 191.1 account commodity balance was \$35.3 million and a \$0.34/Dth amortization rate was set to start collecting that balance from customers. By June 2011, due to a combination of the \$0.34/Dth amortization rate and the higher total commodity rate set in the previous filing, the under-collected 191 commodity balance was reduced to \$14.5 million, allowing QGC to reduce the 191 amortization rate to \$0.14/Dth.⁴ The filing effective October 1, 2011 reflected an under-collected 191 commodity balance of \$13.3 million and an additional \$0.01/Dth reduction in the 191 amortization rate.⁵ Exhibit 3 details the changes in the total commodity rate components from January 2011 through February 2012 that were previously mentioned.

Exhibit 3



As discussed in this application, by November 2011, this under-collected balance was reduced to \$6.5 million and beginning in December 2011, the balance switched to an over-collected balance and has continued to grow due to the continued decrease in the spot market price prompting QGC to reduce the 191 amortization to \$0.00/Dth in February 2012⁶ and now, make this application requesting PSC approval for a one-time refund of the April estimated over collected balance of \$42 million.

⁴ See Docket No. 11-057-02.

⁵ See Docket No. 11-057-08

⁶ See Docket No. 12-057-02.

Process

Based on current market prices, QGC has opted not to increase the current \$0.00/Dth amortization credit rate, but instead, provide a one-time refund of \$42 million back to customers based on those customers actual usage of natural gas during the December 2011 through April 2012 time period. This credit amount is based on those individual customers in the GS and FS rate class total usage during the December 2011-April 2012 time period, multiplied by a credit rate of \$0.60206/Dth, as shown in the application's Exhibit 1.2, on line 3, column (b). As indicated in Exhibit 1.3 of the application, for a typical customer, whose annual usage is 80 Dth, this refund will amount to a \$34.50 dollar credit on their May bill. For those customers whose total credit amount due, based on their actual usage, exceeds their May 2012 actual bills, the remaining credit due will be applied to their following monthly bills until the total credit due has been realized. The Division wishes to emphasize that this application is not a request to adjust current rates but rather a request to the PSC to grant a one-time refund to customers of \$42 million dollars based on those customers actual natural gas usage from December 2011 through April 2012.

SUMMARY

The Division supports this application and the one-time method chosen by QGC, in this instance, to reduce the balance in the 191.1 account by \$42 million because of the circumstances currently surrounding the spot market prices in the natural gas markets.

Cc: Barrie McKay, Questar Gas Company
 John Kennedy, Questar Gas Company
 Michele Beck, Office of Consumer Services
 Eric Orton, Office of Consumer Services