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Division of Public Utilities

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To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
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Date: July 22, 2015

Subject: Comments regarding 2014-2015 Trail Unit Stipulation Report

In the Matter of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement

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RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) accept the filing, but take no action as a result of the 2014-2015 Trail Unit Stipulation Report (Report) filed June 22, 2015. Questar Gas Company (Company) filed its report as required by paragraph 14 of the Corrected Settlement Stipulation (Stipulation), which was accepted and ordered by the Commission on January 17, 2014. In this Report, the Company is not requesting a Commission decision.

BACKGROUND

Paragraph 14 of the Stipulation stated,

> "The Parties agree for purposes of settlement that from the approval date of the Wexpro II Trail Acquisition by both Commissions through May 31, 2015, if Wexpro's production volumes exceed what Questar Gas can use or put into storage in a cost-effective manner, Questar Gas will minimize costs to customers by evaluating whether to have Wexpro sell cost-of-service production to a third party or shut in cost-of-service production. The criteria for determining whether to sell or shut in cost-of-service production will be based on the difference between the estimated cost of cost-of-service production and the cost of purchased gas. If the sales price is greater than the estimated price of cost-of-service minus shut-in costs, then Questar Gas will direct Wexpro to sell cost-of-service production. If the sales price is less than the estimated price of cost-of-service minus shut-in costs, then Questar Gas will shut in cost-of service production. If Wexpro sells cost-of-service production, then proceeds from any such sale will be credited to Questar Gas. *In June of 2015, Questar Gas will file a report with the Parties supporting the decision to either sell or shut in cost-of-service production.* The decision to either sell or shut in will be evaluated based on the information available at the time the decision was made." *Italics added.*

ISSUE

The January 17, 2014 Commission's order accepted the Stipulation which, in part, dictated filing the Report. The Company filed the Report on June 22, 2015. This Report contained the Company's reasoning for its decision to either sell or shut-in excess Company gas. The Company chose to shut-in the excess gas. The Division reviewed the Report and compared it to the requirements in paragraph 14 of the Stipulation shown above and determined that it provided the information required.

DISCUSSION

Based on the criteria in the Settlement, the Company is required to show its reasoning for either selling or shutting-in excess Company gas. The main reason for making the sell/shut-in determination is the price of Company gas (Cost-of-Service price less carrying costs) compared to the market price of gas (North West Pipeline First-of-month index).

The Report shows the volume amounts and the prices for the months of April through October 2014. This time period represents the low load months where the Company may expect to have more gas supply than demand in its system, (including filling the storage basins), and when excess gas could be available for sale. For the five month period under review, there was no excess gas sold. According to the report, there were times in April 2014 where the Company offered gas for sale, but there was no buyer.

CONCLUSION

The Division has reviewed the Company's Report and determined that it provided the information required in the Stipulation. Therefore, the Division recommends that the Commission accept the Report, but take no action at this time.

CC: Barrie McKay, Questar Gas Company
Michele Beck, Office of Consumer Services