2.06 GAS BALANCING ACCOUNT ADJUSTMENT PROVISION

APPLICABILITY

The purpose of the Gas Balancing Account is to recover, on a dollar-for-dollar basis, purchased gas costs and gas-cost-related expenses. Gas commodity costs include~~are~~ both market purchases and costs associated with producing, gathering, and processing company-owned production under the Wexpro Agreement. ~~driven and fluctuate with market prices, including the cost of producing company-owned production associated with purchases under the Wexpro Agreement.~~ Non-gas costs include costs to store and transport the gas to the Company's distribution system~~customer~~ ~~, the cost of producing company-owned production associated with purchases under the Wexpro Agreement~~ and certain other Commission-approved expenses.

This gas balancing account adjustment provision applies to the Supplier Non-Gas (SNG) component of all applicable rate schedules and the commodity component of all sales rate schedules contained in this Tariff.

For purposes of tracking and collecting CO_2 processing costs from transportation customers only, this account applies to the TS rate schedule. The CO_2 costs applicable to transportation customers shall be tracked and collected separately from the SNG and commodity costs subject to the balancing account accrual described below.

BALANCING ACCOUNT ACCRUAL

Each month a calculation will be made to determine the amount to be accrued into Account No. 191.1 of the Uniform System of Accounts, Unrecovered Purchased Gas Costs (Utah). A positive accrual reflects an under-recovery of costs and is debited to Account No. 191.1. A negative accrual reflects an over-recovery of costs and is credited to Account No. 191.1. Any applicable refund or out-of-period charge which reflects a change in the cost of gas for a prior period will be credited or debited respectively to the balancing account during the month the refund or charge is recorded in the Company books. Account No. 191.1 will be made up of two distinct parts, a commodity balance and an SNG balance, each of which is amortized separately pursuant to the surcharge rate determination described below. The monthly accrual (positive or negative) is determined by calculating the difference between the Cost of Gas and Gas Revenues as is described below.

Accrual = Cost of Gas - Gas Revenues where:

Cost of Gas

The cost of gas is the total of (1) Gas Cost Expenses, plus (2) Additional Gas Cost Expenses, less (3) Exclusions to Gas Costs, less (4) Other Revenues as described below:

(1) Gas Cost Expenses include the following FERC Accounts. Items to be included in the accounts have been modified from FERC descriptions for use by Utah Gas utilities.

758 Gas well royalties - This account shall include royalties paid for natural gas produced by the utility from wells on land owned by others.

759 Other expenses - This account shall include the cost of labor, materials used and expenses incurred in producing and gathering natural gas and not includible in any of the foregoing accounts. Costs recorded in this account are:

(a) Gathering commodity and demand expenses.
(b) Credits for gathering for others.

800 Natural gas well head purchases - This account shall include the cost at well head of natural gas purchased in gas fields or production areas.

801 Natural gas field line purchases - This account shall include the cost, at point of receipt by the utility, of natural gas purchased in gas fields or production areas at points along gathering lines, and at points along transmission lines within field or production areas, exclusive of purchases at outlets of gasoline plants includible in account 802.

802 Natural gas gasoline plant outlet purchases - This account shall include the cost, at point of receipt by the utility, of natural gas purchased at the outlet side of natural gas products extraction plants.

803 Natural gas transmission line purchases - This account shall include the cost, at point of receipt by the utility, of natural gas purchased at points along transmission lines not within gas fields or production areas, excluding purchases at the outlets of products extraction plants includible in account 802.

804 Natural gas city gate purchases - This account shall include the cost, at point of receipt by the utility, of natural gas purchased which is received at the entrance to the distribution system of the utility.

806 Exchange gas - This account includes debits or credits for the cost of gas in unbalanced transactions where gas is received from or delivered to another party in exchange, load balancing, or no-notice transportation transactions. The costs are to be determined consistent with the accounting method adopted by the utility for its system gas.

808.1 Gas withdrawn from storage-Debit - This account shall include debits for the cost of gas withdrawn from storage during the year.

808.2 Gas delivered to storage-Credit - This account shall include credits for the cost of delivered to storage during the year.

813 Other gas supply expenses - This account shall include the cost of labor, materials used and expenses incurred in connection with gas supply functions not provided for in any of the above accounts. These accounts are to be used for natural gas storage expenses. Costs recorded in this account are:

(a) Liquid extraction and gas processing expenses.
(b) Price stabilization costs.
(c) Firm and peak storage commodity and demand costs.
(d) Wexpro Operator Service Fee.
(e) CO_2 gas processing expenses as provided in Docket No. 05-057-01, Order dated January 6, 2006.

858 Transmission and compression of gas by others - This account shall include amounts paid to others for the transmission and compression of gas of the utility.

(2) Additional Gas Cost Expenses include:

(a) The Carrying cost of working storage gas calculated by using the 13-month average balance in Account No. 164 and applying the pre-tax allowed return to calculate the monthly carrying cost on this investment. (Docket No. 01-057-14; Order dated August 14, 2002.)

(b) Gas supply litigation costs. (Docket No. 95-057-21, Order dated October 10, 1995)

(c) Cost incurred to improve price stability, including mark-to-market costs. (Docket Nos. 00-057-08 and 00-057-10, Order dated May 31, 2001)

(3) Exclusions to Gas Costs which are considered for regulatory purposes in general rate case proceedings are as follows:

(a) 10% of the transportation capacity release credits that are recorded in Account 858. (Docket No. 97-057-03, Order dated February 21, 1997)

(b) A portion of CO_2 processing costs specified in Docket No. 05-057-01, shall be recovered by direct charges to TS customers. (See "CO_2 Cost Recovery from TS Rate Schedule" below.)

(4) Other Revenues include the following FERC Accounts, less related ad valorem taxes, outside interests, royalties on oil and liquid sales, and other applicable costs.

483 Sales for resale - This account shall include the net billings for gas sold where it is not economical to transport the gas to the service area of the utility.

490 Sales of products extracted from natural gas - This account shall include revenues from sales of gasoline, butane, propane, and other products extracted from natural gas, net of allowances, adjustments, and discounts, including sales of similar products purchased for resale.

491 Revenues from natural gas processed by others - This account shall include revenues from royalties and permits, or other bases of settlement, for permission granted others to remove products from natural gas of the utility.

492 Incidental gasoline and oil sales - This account shall include revenues from natural gas gasoline produced direct from gas wells and revenues from oil obtained from wells which produce oil and gas associated with the Wexpro Agreement.

494 Interdepartmental rents (Wexpro oil sharing revenue) - This account shall include credits for rental charges made against other departments of the utility. In the case of property operated under a definite arrangement to allocate actual costs among the departments using the property, any allowance to the gas department for interest or return and depreciation and taxes shall be credited to this account.

495 Other gas revenues - This account includes revenues derived from gas operations not includible in any of the foregoing accounts specifically:

495007 - Overriding royalties
495018 - Income oil sharing from Wexpro.

Gas Revenues

Gas revenues are the sum of the commodity and SNG revenues received from the firm and interruptible sales rate classes, less the allowance for bad debt related to these revenues and includes the revenue received from the transportation imbalance charge (See Section 5.01).

(1) Commodity Revenues = The sum of each schedule's commodity rate multiplied by the respective volumes less the allowance for bad debt related to these revenues.

(2) SNG Revenues = The sum of each firm and interruptible sales schedule's SNG rate multiplied by the respective sales volumes less the allowance for bad debt related to these revenues and includes the sum of the transportation imbalance charge revenues collected from transportation customers.

COMMODITY COST RATE DETERMINATION

No less frequently than semi-annually, the Company will file with the Commission an application for determination of the commodity cost rate. This commodity cost rate will be determined by 1) adding the projected test period gas costs from all supply sources (excluding interruptible gas supplies pursuant to § 4.01) less the supplier non-gas costs and other revenue credits, and 2) dividing by the projected test-period Utah sales.

SUPPLIER NON-GAS COST RATE DETERMINATION

Using the procedure established in PSCU Case No. 84-057-07, supplier non-gas cost class allocation levels will be established in general rate cases. Concurrently with the determination of costs (above), supplier non-gas costs will be adjusted by class (from those rate levels established in general rate cases) on a uniform percentage increase or decrease basis to reflect FERC-approved increases or decreases in the supplier non-gas cost related components of upstream pipeline suppliers' rates. The supplier non-gas cost adjustment will reflect the supplier non-gas revenue collected from the interruptible customers and 90% of the credit from released capacity collected from upstream interstate pipelines. The remaining 10% of capacity release credit will be recorded as DNG revenue.

CO2 COST RECOVERY FROM FT-2, IT AND IT-S RATE SCHEDULES

Pursuant to the method approved in Docket No. 05-057-01, a portion of Dominion Energy Utah's CO_2 processing costs has been allocated to the TS class. Such costs shall be recovered from those classes through a separately stated charge that will be adjusted as necessary in proceedings that set commodity-cost rates.

The "two-way" carrying charge described below shall apply to over- and under-collections of CO_2 costs under this section.

AFFILIATE EXPENSE STANDARD

Wexpro expenditures included in the Company's 191 Account are governed by the Wexpro Agreement. All other affiliate expenses, unless otherwise approved by the Commission or subject to regulation by another governmental agency, shall be either (1) cost of service based or (2) competitive with the market for similar services at the time the contract for the services was entered into. The Company shall maintain adequate records of requests for proposals, bids, and agreements involving affiliate participation, including copies of date-stamped bids and other correspondence for regulatory audit and review. Nothing in this Tariff requires bidding for all procurements (e.g., spot purchases).

191 ACCOUNT ENTRIES

The Company shall provide 60 days prior notice of 1) an inclusion of a new account or the first time inclusion of other new material items, 2) the first-time inclusion of material costs to be included in approved FERC accounts 759 and 813, and 3) any material change involving the exclusion of costs or revenues previously recorded within Account 191 for balancing account purposes. The notice may be by letter, application to the Commission, or in a pass-through filing made 60 days prior to the requested effective date. All such entries are provisional and subject to Commission approval, prior to their inclusion in any rate change made through the 191 Account process.

AUDIT PROCEDURES

All items recorded in the 191 Account are subject to regulatory audit. Adjustments to the 191 Account may be proposed on a retroactive basis for items identified in such regulatory audits that are not in compliance with 191 Account standards and procedures, not in compliance with prior orders of the Commission, or imprudently incurred.

Proposed adjustments shall be designated no later than one year after the end of the fiscal year being audited, or for Wexpro-related adjustments, no later than one year after completion of the applicable third-party monitors' audits. Proposed adjustments may be adopted by the Company without Commission review. If a proposed adjustment is not adopted by the Company, the proponent of the adjustment may seek Commission resolution of the proposed adjustment.

CONSIDERATION DISCLOSURE

The Company shall give regulatory notice of any consideration received by the Company or any affiliate not stated in any gas supply, transportation, gathering, or storage contract when the associated costs are included in a pass-through application.

SURCHARGE RATE DETERMINATION

No less frequently than annually, the Company will file with the Commission an application for establishment of a surcharge rate (positive or negative) to amortize both the commodity cost balance and supplier non-gas cost balance portions of the unrecovered purchased gas costs in Account 191.1. The new surcharge rate to be included in the total current commodity cost rate will be determined by dividing the commodity balance of Account 191.1 as of December 31 (or other time determined by the Commission) by the test-period sales for Utah. The supplier non-gas balance as of December 31 (or other time determined by the Commission) will be amortized by a uniform percentage increase or decrease of the magnitude necessary to amortize the balance over one year, given the test-year sales by class.

"TWO-WAY" CARRYING CHARGE

An annual interest rate, as described in § 8.07 Calculation of Carrying Charge, will be applied to the monthly balance in Account 191.1, as adjusted for the corresponding tax deferral balance in Account 283. The balance in Account 191.1 will be increased by the carrying charge during months when gas costs are under-collected and reduced when gas costs are over-collected.