

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Investigation of)
QUESTAR GAS COMPANY's)
Gas Quality)
)

DOCKET NO. 04-057-09
ORDER ON REFUND OF PAST GAS
PROCESSING FUNDS

ISSUED: September 20, 2004

By the Commission:

As a result of our prior order issued August 30, 2004 (in Docket Nos. 98-057-12, 99-057-20, 01-057-14 and 03-057-05), the Commission and interested parties have met to discuss the means by which collected funds, associated with the contested CO₂ processing plant expenses, will be returned to customers. The Commission issues this order directing the refund process to return to customers the previously collected funds and their associated carrying charge. The funds to be returned are those collected from May, 1999, through August, 2004, plus interest, a refund amount estimated to now be approximately \$29 million.

Calculation of the total amount to be refunded can be accomplished with relative precision. Distributing the total refund amount to individual customers presents two choices. Discussions with parties have examined whether the refund should occur as either a single event or over a period of time through the monthly billing process. Earlier this year, Questar Gas implemented a new billing system. We are informed that calculating a one time refund amount for individual customers may not be possible with the accuracy which we think necessary. Applying the most recent prior year's customer consumption information through the new billing system results in an unacceptable deviation for the amount of processing revenues the billing system indicates was collected from customers and the amount of processing costs included in the 191 Account. We anticipate that the divergence will be exacerbated if multiple years are applied, resulting in a significant potential for a contested disagreement on how to allocate and reconcile the divergence among Questar Gas' retail customers. We have concluded that the likely delay and difficulty in reaching a final resolution to

implement a one-time refund argues against that method.

We believe that a refund over an annual period is appropriate. An annual period will capture each customer's high and low consumption patterns over the year. The same circumstances occurring during the refund's 12 month period will be experienced by all customers. Given the difficulty of trying to use past customer consumption with the new billing system, we believe that a customer's consumption over a 12 month refund period is a reasonable proxy for the customer's consumption over the approximately five annual periods over which the funds were originally collected. A longer refund period could provide finer measurement of consumption, but would delay the customer refund. We conclude that a 12 month refund period will adequately capture a customer's typical consumption.

In Docket No. 01-057-14, the Commission found that a just and reasonable means for originally collecting the funds would be taking the \$5 million capped annual amount divided by 12 months as a monthly item in the 191 Account accounting process. We conclude that a similar approach, in reverse, can be followed to refund the funds. Customers will receive a monthly allocation of the refund through the 191 Account and process, over the next 12 months, to account for the return of the refund to Questar customers. It is understood that a portion of the refund amount, approximately \$1.5 million, will be refunded outside of the 191 Account process. This is a reflection that some of the funds to be refunded were not originally collected through the 191 Account process, but from other rate mechanisms in the IT and FT-2 rate schedules. This portion of the refund will be returned to the affected customers through a one-time credit in a future monthly bill, anticipated to be the October, 2004, bill.

Questar will submit new schedules of rates and charges to reflect the refund of the gas processing amounts on a per decatherm basis for retail distribution customers beginning October 1, 2004, and continuing for 12 months. Through this means, distribution customers will receive their portion of the refund amount through their monthly billings over the next 12 months. To ensure that the proper refund amount is accurately accounted for, Questar will account for the refund process in a separate balancing account associated with 191 Account accounting. At the end of the 12 month refund process, any under-refunded or over-refunded balance will be transferred to the regular 191

Account.

Wherefore it is hereby ORDERED that Questar shall submit appropriate tariff schedules to effect the refund as discussed herein. The Division of Public Utilities shall review the tariff revisions for compliance with this order. Questar shall distribute and account for the refund as discussed herein and pursuant to the tariff provisions approved by the Commission.

DATED at Salt Lake City, Utah, this 20th day of September, 2004.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

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