

PASS-THROUGH APPLICATION OF)
DOMINION ENERGY UTAH FOR) Docket No. 18-057-04
AN ADJUSTMENT IN RATES)
AND CHARGES FOR NATURAL)
GAS SERVICE IN UTAH) APPLICATION

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these documents should be served upon:

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APPLICATION
AND
EXHIBITS

May 1, 2018

PASS-THROUGH APPLICATION)	
OF DOMINION ENERGY UTAH FOR)	Docket No. 18-057-04
AN ADJUSTMENT IN RATES AND)	
CHARGES FOR NATURAL GAS)	
SERVICE IN UTAH)	APPLICATION

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or the Company) respectfully requests Commission approval of this Application for a decrease of \$82,770,000 in its Utah natural gas rates. The Dominion Energy Utah Natural Gas Tariff PSCU No. 500 (Tariff), Section 2.06, provides for pass-through applications to be filed “no less frequently than semi-annually.” The driving force behind the price decrease requested in this Application is the decreased cost of gas. The information contained in this Application is based on the March 2018 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of \$483,842,106. This case proposes an overall decrease of \$82,770,000 which includes a decrease of \$83,812,000 in the commodity portion of rates and an increase of \$1,043,000 in the supplier non-gas (SNG) portion of rates. If the Commission grants this Application, typical residential customers using 80 dekatherms per year will see a decrease in their total annual bill of \$59.61 (or 8.51%).

In support of this Application, Dominion Energy states:

1. Dominion Energy’s Operations. Dominion Energy, a Utah corporation, is a public utility engaged in the distribution of natural gas primarily to customers in the states of Utah and Wyoming. Its Utah public utility activities are regulated by the Utah Public Service Commission (Commission), and the Company’s rates, charges, and general conditions for natural gas service in Utah are set forth in the Tariff. Copies of the Company's Articles of Incorporation are on file with the Commission. In addition, the Company serves customers in Franklin County, Idaho. The rates for these Idaho customers

are determined by the Utah Commission pursuant to an agreement between the Commission and the Idaho Public Utilities Commission. Volumes for these customers have been included in the Utah volumes.

2. Applicable Statutes. The Commission may grant relief requested in this case pursuant to Utah Code Ann. § 54-7-13.5 (2017).

3. Tariff Provision. The Commission has authorized Dominion Energy to implement Account No. 191 of the Uniform System of Accounts to balance its gas costs with revenues. This filing is made under §2.06 of the Tariff, pages 2-9 through 2-14, which sets forth procedures for recovering gas costs shown in Account No. 191 by means of periodic and special adjustments to rates and an amortization of that account over one year.

4. Test Year. The test year for this Application is based on expected sales, purchases, transportation, gathering, storage and royalties for the 12 months ending May 31, 2019.

5. Cost-of-Service Production. DEU Exhibit 1.1 shows the expected test-year costs for gas produced for Dominion Energy by Dominion Energy Wexpro (Wexpro) under Wexpro I and Wexpro II Agreements. System-wide, total costs for Dominion Energy's production are expected to be \$271,836,780, as shown on page 21 of DEU Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Dominion Energy will make royalty payments of \$17,777,731 (DEU Exhibit 1.1, page 18, line 1423) on Company-owned gas produced under Wexpro I and royalty payments of \$8,179,157 (DEU Exhibit 1.1, page 21, line 1652) on Wexpro II production. These royalty payments are based on projected well head volumes for the test year and the price forecast for the test year explained below in paragraph 6.

(b) Operator Service Fee. Dominion Energy pays Wexpro an operator service fee for operating cost-of-service wells pursuant to the Wexpro I and Wexpro II agreements and applicable settlement agreements. The Wexpro I operator service fee for gas produced from productive gas wells for Dominion by Wexpro is expected to be

\$203,215,610 (DEU Exhibit 1.1, page 18, line 1424) system-wide. The operator service fee for Wexpro II is expected to be \$42,664,283 (DEU Exhibit 1.1, page 21, line 1653).

6. Purchased Gas Costs. Dominion Energy's total purchased gas costs are calculated to be \$125,548,913 as shown in DEU Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average \$2.40826/Dth. These costs are based on projected gas purchase volumes, existing contract terms, projected contracts, and a forecast of gas prices. In this case, the Company has used an average of gas-price forecasts from PIRA Energy Group and Cambridge Energy Research Associates, Inc. Confidential DEU Exhibit 1.10 provides a comparison of the gas price forecasts, as well as the average of the forecasts, for the test year. These purchased gas costs comprise the following elements:

(a) Dominion Energy currently expects to purchase 19,810,000 Dths under existing contracts at a total cost of \$51,544,035 as shown in DEU Exhibit 1.2, line 3. For the past several years the Company has entered into fixed price arrangements on a portion of its winter purchased gas and therefore has not incurred any stabilization costs. The Company does not anticipate incurring any stabilization costs during the proposed test period. If, in the future, there again becomes a need for the Company to incur stabilization costs, the Company will recommend inclusion of the costs at that time.

(b) In addition to current contracts, Dominion Energy anticipates buying 30,543,486 Dths on the spot market at a total estimated cost of \$70,197,097 (DEU Exhibit 1.2, line 4).

(c) Also, Dominion Energy expects to contract in the future for an additional 1,779,209 Dths at a total estimated cost of \$3,807,781 as shown on DEU Exhibit 1.2, line 5.

7. Transportation, Gathering and Processing. Dominion Energy incurs system-wide charges for transportation and gathering services for delivery of gas to its system. The transportation, storage, and peak hour service costs are based on upstream pipelines' rates. These costs are calculated to be \$100,356,762, as shown in DEU Exhibit 1.3, page 1, line 35. These costs include the following elements:

(a) Dominion Energy Questar Pipeline, LLC (DEQP) and Kern River Gas Transmission Company (Kern River) Demand Rates. Annual transportation demand charges to transport produced and purchased gas are calculated to be \$63,699,240 system-wide (DEU Exhibit 1.3, page 1, line 14).

(b) DEQP and Kern River Commodity Rates. The transportation volumes in this Application reflect the level of Wexpro I and Wexpro II production and purchased-contract gas transported during the test year and current FERC approved rates. Transportation commodity charges are calculated to be \$549,928 (DEU Exhibit 1.3, page 1, line 24).

(c) Gathering and Transportation Charges. Gathering charges are computed on the basis of forecasted production and gathering volumes for the test period. The majority of Wexpro I gathering services and the costs of that gathering continue to be provided under the terms of the 1993 system-wide gathering agreement as amended (Gathering Agreement). The Company has resolved its dispute with Andeavor (previously QEPFS/Tesoro) regarding the calculation of the gathering rate. The adjustment amount withheld beginning in July 2017 has been paid to Andeavor. Wexpro II volumes are gathered under a separate agreement and are estimated to be \$9,247,771 (DEU Exhibit 1.3, page 1, line 28). Other gathering and transportation charges are \$2,040,976 and \$3,842,730 respectively (DEU Exhibit 1.3, page 1, lines 29-30).

(d) Peak Hour Service. Peak hour demand is the hour during the day when total customer usage is at its highest. Peak day demand calculates the total usage flowed during a 24-hour period (day), while the peak hour demand is the maximum flow rate during that day. The upstream pipelines that serve the Company can only meet those usage levels above the peak day demand on an operationally available (interruptible) basis. To guarantee firm service during peak hour, Dominion Energy has entered into an agreement with Kern River to provide peak hour services for a cost of \$874,000 (DEU Exhibit 1.3, page 1, line 32). Dominion Energy also plans to enter into an agreement with DEQP to provide peak hour services for a cost of \$1,487,815 (DEU Exhibit 1.3, page 1, line 33).

8. Storage Gas Charges. Dominion Energy also incurs system-wide storage and working gas charges for gas to be delivered during the winter heating season. These costs are \$20,481,287 as shown in DEU Exhibit 1.3, page 2, line 28. The components of these costs are the following:

(a) Storage Demand. The demand component of storage is calculated to be \$16,725,058 (DEU Exhibit 1.3, page 2, line 5).

(b) Storage Commodity. The charges during the test year for injections to and withdrawals from aquifer peaking, Ryckman, and Clay Basin storage fields are calculated to be \$503,928 (DEU Exhibit 1.3, page 2, line 12).

(c) Working Storage Gas. The return on working storage gas for the most recent 12 months is \$3,252,301 (DEU Exhibit 1.3, page 2, line 27).

9. Summary of Gas-Related Gas Costs. DEU Exhibit 1.4, page 1, shows Dominion Energy's gas costs by component and page 2 reflects the annualized unit cost of storage gas as well as the withdrawal and injection adjustment. DEU Exhibit 1.4, page 3, shows other revenues that are treated as direct credits to gas costs, as required by the Commission in its Order in Docket No. 80-057-10 and as revised by Commission Order in Docket No. 01-057-14. Other revenues of \$15,528,058 are the forecasted amounts for the 12 months of the test year as shown in DEU Exhibit 1.4, page 3, line 18. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation¹ in this test period (DEU Exhibit 1.4, page 1, line 11). DEU Exhibit 1.5 allocates system-wide costs to Utah and Wyoming jurisdictions on the basis of either peak-day demand or commodity sales as appropriate. The result of these allocations is \$483,842,106 in gas costs for Utah (DEU Exhibit 1.5, line 15).

10. Unit Gas Commodity Cost in Rates. DEU Exhibit 1.6, page 1, shows the derivation of gas commodity unit costs to be reflected in Dominion Energy's Utah rate schedules, excluding supplier non-gas costs. Total Utah estimated test-year costs to be collected through the Account No. 191 procedures are \$483,842,106. The portion of

¹ The Commission approved the Wexpro II Trail Unit Stipulation in Docket No. 13-057-13.

expected test-year gas costs to be recovered on a commodity basis is \$370,373,934 (DEU Exhibit 1.6, page 1, line 6). The corresponding unit cost of gas applicable to Utah rates is \$3.33262/Dth (DEU Exhibit 1.6, page 1, line 7).

11. Amortization of 191 Account Balance. In the Company's last pass-through filing (Docket No. 17-057-20), an amortization rate was established based on the balance in the 191 Account commodity portion at the end of August 2017. The Company notes that per the terms of its Tariff in Section 2.06 GAS BALANCING ACCOUNT ADJUSTMENT PROVISION, under the heading "SURCHARGE RATE DETERMINATION," the surcharge must be established "no less frequently than annually." The Company is proposing to leave the current debit amortization for two reasons. First, leaving the amortization at the current rate until the fall pass-through should help provide rate stability by limiting the decrease in this docket. Second, the commodity balance in the 191 account typically moves toward under-collection during the summer months. This under-collection is caused by the current price differential between Company-owned supplies (used during the summer months) and the annual weighted average cost of gas (WACOG) that is charged to customers during these months. The debit amortization of \$0.13552 is shown in DEU Exhibit 1.6, page 1, line 8, column D. The treatment of the supplier non-gas cost portion of the 191 Account and gas management cost are described in paragraph 13.

12. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 10, and the 191 Account amortization, discussed in paragraph 11, yields a unit commodity cost of \$3.46814/Dth for sales customers, a decrease of \$0.75414/Dth (DEU Exhibit 1.6, page 1, line 9).

13. Supplier Non-Gas Costs. Since mid-1984, Dominion Energy's rate structure has incorporated a supplier non-gas component that reflects DEQP's and other suppliers' non-gas costs billed to Dominion Energy. The Company has been tracking this supplier non-gas component of its Account No. 191 pursuant to the terms of its Tariff. The base test-year supplier non-gas costs are \$113,468,173 (DEU Exhibit 1.6, page 2, line 1).

(a) Supplier Non-Gas Amortization. Consistent with the Division of Public Utilities' recommendation in Docket No. 11-057-08, the Company began amortizing the balance in the SNG portion of the 191 account annually instead of semi-annually. The change was meant to reduce volatility and interest costs by limiting the swings in the SNG account from what had historically been \$40,000,000 over-collected and near zero throughout the year to approximately \$20,000,000 under-collected and \$20,000,000 over-collected. The balance in the SNG account at the end of March 2018 shows an over-collected balance of \$11,920,597. A normal SNG balance in March should be about \$20,000,000 over-collected. To keep this account balance within the parameters described above, the Company is proposing to amortize the \$8,079,403 under-collected portion of this balance. The debit amortizations are shown in column F of DEU Exhibit 1.6 page 3.

(b) In Docket No. 14-057-31, the Commission approved the Company's request to charge transportation customers for SNG costs they use. The Company began charging these customers a "Transportation Imbalance Charge" in February 2016 and began collecting from customers in March 2016. A total of \$352,394 was collected from transportation customers from September 2017 to March 2018 and included in the SNG balance used to calculate the debit amortizations shown in column F of DEU Exhibit 1.6 page 3. The Company is submitting an application concurrently with this Application to review and update the charge based on the most recent 12 months of data. See Docket No. 18-057-05 for more information.

(c) Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover \$120,505,026 in supplier non-gas costs (DEU Exhibit 1.6, page 2, line 4). Dominion Energy therefore proposes applying a uniform percentage increase of 0.87% to the firm supplier non-gas rates.

(d) The total SNG costs discussed in paragraph 13, combined with the 191 Account amortization, discussed in paragraph 13(b), yields the unit SNG costs shown in column G of DEU Exhibit 1.6 page 3.

14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is an 8.51% decrease, or a decrease of \$59.61 per year for a typical GS residential customer using 80 dekatherms per year. The projected month-by-month changes in rates are shown in DEU Exhibit 1.7.

15. Proposed Tariff Sheets. Dominion Energy's proposed Utah Tariff sheets reflect the combination of the changes in commodity costs, and supplier non-gas costs allocable to Utah customers (DEU Exhibit 1.8).

16. Combined Tariff Sheets. In addition to this pass-through application, Dominion Energy is concurrently filing the Transportation Imbalance Charge in Docket No. 18-057-05. This adjustment applies only to transportation customers and does not affect any of the rate schedules in this pass-through filing.

17. Effect on Earnings. Because the rate sought in this Application is a pass through of the direct costs of gas that Dominion Energy obtains for its customers, there will be no change in the Company's rate of return. Net profits are also unaffected except for the return on the changed amount of working storage gas which was approved by the Commission in Docket No. 18-057-T01.

18. Exhibits. Dominion Energy submits the following DEU Exhibits in support of its request for an adjustment in its rates for natural gas service in Utah:

- DEU Exhibit 1.1 Test-Year Cost of Dominion Energy's Production
- DEU Exhibit 1.2 Test-Year Purchased Gas Costs
- DEU Exhibit 1.3 Test-Year Transportation, Gathering, Processing and Storage Charges
- DEU Exhibit 1.4 Summary of Test-Year Gas Related Costs and Revenues Credits
- DEU Exhibit 1.5 Test-Year Gas Cost Allocation
- DEU Exhibit 1.6 Test-Year Change in Gas Cost and Supplier Non-Gas Cost
- DEU Exhibit 1.7 Effect on GS Typical Customer
- DEU Exhibit 1.8 Legislative/Proposed Tariff Sheets
- DEU Exhibit 1.9 Dominion Energy Questar Pipeline, LLC FERC Tariff Schedules
- DEU Exhibit 1.10 Confidential Comparison of Gas Price Forecasts

WHEREFORE, Dominion Energy respectfully requests that the Commission, in accordance with its authority, rules and procedures and the Company's Tariff:

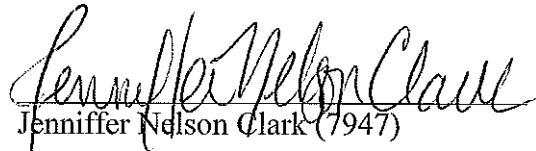
1. Enter an order authorizing Dominion Energy to implement a decrease in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of \$483,842,106 as adjusted in DEU Exhibit 1.6 and as more fully set out in this Application and in DEU Exhibit 1.8.

2. Authorize Dominion Energy to implement the revised rates effective June 1, 2018.

DATED the 1st Day of May 2018.

Respectfully submitted,

DOMINION ENERGY UTAH


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CERTIFICATE OF SERVICE

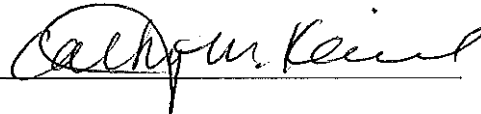
This is to certify that a true and correct copy of the Application was served upon the following persons by e-mail on May 1, 2018:

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