PASS-THROUGH APPLICATION OF	)	
DOMINION ENERGY UTAH FOR	)	Docket No. 19-057-18
AN ADJUSTMENT IN RATES	)	
AND CHARGES FOR NATURAL	)	
GAS SERVICE IN UTAH	)	APPLICATION

All communications with respect to
these documents should be served upon:

Jenniffer Nelson Clark (7947)
Attorney for the Applicant

333 South State Street
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392

APPLICATION
AND
EXHIBITS

August 30, 2019

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

PASS-THROUGH APPLICATION OF DOMINION ENERGY UTAH FOR AN ADJUSTMENT IN RATES AND CHARGES FOR NATURAL GAS SERVICE IN UTAH	)))))	Docket No. 19-057-18 APPLICATION

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or the Company) respectfully requests Utah Public Service Commission (Commission) approval of this Application for an increase of $11,352,000 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 increase requested in this Application is the debit amortization of the under-collected 191 account commodity balance. The actual price for purchase gas was much higher than forecasted at the end of the winter heating season, causing the balance to become under-collected. The under-collected balance is partially offset by significantly lower Wexpro costs. The information contained in this Application is based on the July 2019 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of $444,036,444. This case proposes an overall increase of $11,352,000 which includes an increase of $34,246,000 in the commodity portion of rates and a decrease of $22,894,000 in the supplier non-gas (SNG) portion of rates. The proposed commodity and SNG totals result from both the proposed changes in base and amortization rates, as well as the Commission-approved changes to the cost-categorization definitions associated with SNG and Commodity costs, respectively (Docket No. 19-057-T01). If the Commission grants this Application, typical residential customers using 80 dekatherms per year will see an increase in their total annual bill of $8.24 (or 1.32%).

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, 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 (2018).

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. Pursuant to the Order Approving Dominion Energy's Modifications to Tariff Section 2.06 in Docket No. 19-057-T01, this Application categorizes costs based upon updated definitions of SNG and Commodity costs.

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 September 30, 2020.

5. DEU Exhibit 1.1 page 2 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 $444,036,444 in gas costs for Utah (DEU Exhibit 1.1 page 2, line 17).

6. Cost-of-Service Production. DEU Exhibit 1.2 page 1 shows the expected test-year costs for gas produced for Dominion Energy by Dominion Energy Wexpro (Wexpro) under the Wexpro I and Wexpro II Agreements. System-wide, total costs for Dominion Energy's production are expected to be $223,281,988, as shown on line 13. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Dominion Energy will make royalty payments of $15,728,561 (line 3) on Company-owned gas produced under Wexpro I and royalty payments of $3,869,506 (line 8) 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 8.

(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 $169,504,822 (line 4) system-wide. The operator service fee for Wexpro II is expected to be $34,179,099 (line 9). This Application reflects a lower percentage of Wexpro production as a percentage of the weighted average cost of gas that is required in the 2020 IRP year.

(c) DEU Exhibit 1.2, page 2, 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 $15,181,814 are the forecasted amounts for the 12 months of the test year as shown on line 18. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation[1] in this test period (line 17).

7. Summary of Gas-Related Gas Costs. DEU Exhibit 1.2, page 3 summarizes Dominion Energy Wexpro's total gas costs by component. The total

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

forecasted costs and volumes for Wexpro I, Wexpro II, and in total are shown on lines 8, 13, and 20, respectively.

(a) Gathering 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). Other gathering charges associated with Wexpro I are $1,907,905 (DEU Exhibit 1.2, page 3, line 6). Wexpro II volumes are gathered under a separate agreement and are estimated to be $2,549,704 (DEU Exhibit 1.2, page 3, line 12).

8. Purchased Gas Costs. Dominion Energy's total purchased gas costs are calculated to be $130,510,508 as shown in DEU Exhibit 1.2, page 4, line 6. For this test year, purchased gas costs are projected to average $2.10601/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. These purchased gas costs comprise the following elements:

(a) Dominion Energy currently expects to purchase 22,967,000 Dths under existing contracts at a total cost of $51,700,417 as shown in DEU Exhibit 1.2, page 4, 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 37,043,937 Dths on the spot market at a total estimated cost of $74,966,992 (line 4).

(c) Also, Dominion Energy expects to contract in the future for an additional 1,959,677 Dths at a total estimated cost of $3,843,099 as shown on line 5.

9. Storage Adjustment. DEU Exhibit 1.2, page 5, line 3 shows an adjustment that is made to commodity prices due to the temporary difference between when gas is injected into and withdrawn from storage. This adjustment fluctuates due to seasonal timing of injections and withdrawals, along with the seasonal costs of gas going into and out of storage.

10. Working Storage Gas. The return on working storage gas for the most recent 12 months is $3,119,494 (DEU Exhibit 1.2, page 5, line 17).

11. Forecasted Gas Cost Comparison. Confidential DEU Exhibit 1.3 provides a comparison of the gas price forecasts, as well as the average of the forecasts, for the test year.

12. Transportation. Dominion Energy incurs system-wide charges for transportation of gas to its distribution system. The transportation, storage, and peak hour service costs are based on upstream pipelines' rates. These costs are calculated to be $72,374,604, as shown in DEU Exhibit 1.4, page 1, line 28. 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 $65,594,498 system-wide (DEU Exhibit 1.4, page 1, line 14). This includes a projected capacity release credit of $3,471,364 (DEU Exhibit 1.4, page 1, line 5). The Company entered into a new contract with DEQP for additional yearly transportation service beginning November 2019 (DEU Exhibit 1.4, page 1, line 2).

(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 $576,815 (DEU Exhibit 1.4, page 1, line 23).

(d) Peak Hour Service. Peak-hour demand is the hour during the day when total customer usage is at its highest. Peak-day demand (also known as Design-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 design-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 $1,005,170 (DEU Exhibit 1.4, page 1, line 25). Dominion Energy has entered into an agreement with DEQP to provide peak-hour services for a cost of $1,405,278 (DEU Exhibit 1.4, page 1, line 26).

13. Storage 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 $17,268,557 as shown in DEU Exhibit 1.4, page 2, line 13. 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 1.4, page 2, line 5).

(b) Storage Commodity. The charges during the test year for injections to and withdrawals from aquifer peaking, Spire Energy (Spire, formerly Ryckman), and Clay Basin storage fields are calculated to be $543,499 (DEU Exhibit 1.4, page 2, line 12).

14. Unit Commodity Cost in Rates. DEU Exhibit 1.5, page 1, shows the derivation of gas commodity unit costs to be reflected in Dominion Energy's Utah rate schedules. The portion of expected test-year gas costs to be recovered on a commodity basis is $357,156,245 (DEU Exhibit 1.5, page 1, line 1). The corresponding unit cost of gas applicable to Utah rates is $3.14885/Dth (DEU Exhibit 1.5, page 1, line 7).

15. Amortization of Commodity Portion of 191 Account Balance. The actual July 31, 2019 191 Account commodity portion is under-collected, and the Company proposes to amortize that under-collected portion of $49,754,027 by

establishing a debit amortization of $0.43865 (DEU Exhibit 1.5, 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 17.

16. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 14, and the 191 Account amortization discussed in paragraph 15, yields a unit commodity cost of $3.58750/Dth for sales customers, an increase of $0.30193/Dth (DEU Exhibit 1.5, page 1, line 9).

17. 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 $86,880,200 (DEU Exhibit 1.5, page 2, line 1).

(a) Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover $112,213,550 in supplier non-gas costs (DEU Exhibit 1.5, page 2, line 6). Dominion Energy therefore proposes applying a uniform percentage decrease of 20.41% to the firm supplier non-gas rates. This percentage change is applied to the existing SNG rates on DEU Exhibit 1.5, page 3, lines 1-5 to calculate a total SNG rate.

(b) 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. Due to the changes in the definitions of commodity and SNG costs determined in Docket No. 19-057-T01, the Company now estimates that the SNG balance should swing between $14,000,000 over-collected and $14,000,000 under-collected. In the Company's last pass-through filing (Docket No. 19-057-04), an amortization rate was established based on the balance in the SNG account at the end of March 2019. Though this amortization rate was created to maintain the $20,000,000 balance, when combined with the proposed decrease in base SNG rates, it should also be sufficient to maintain the $14,000,000 level. Therefore, the Company is proposing to continue amortizing the $2,440,017 under-collected portion of this balance established in the prior case using the forecasted volumes in this docket. The debit amortizations are shown on DEU Exhibit 1.5 page 3, lines 6-10, column E.

(c) 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 $353,640 was collected from transportation customers from February 2019 to July 2019 and included in the SNG balance used to calculate the debit amortizations. The Company is submitting an application concurrently with this Application to review and update the Transportation Imbalance Charge based on the most recent 12 months of data. See Docket No. 19-057-19 for more information.

(d) In Docket No. 19-057-T01, The Commission ordered the Company to include in this pass through Application, "an analysis and recommendation regarding remittance of any under- or over-collection in the 191-Account balance between customer classes…" The Company recommends that all sales customers pay the same base and amortization commodity rates.

In Docket No. 19-057-T01 interested parties questioned whether the IS customers should pay a different amortization rate because they contributed to the under-collected balance differently than other sales customers in the GS, FS, and NGV classes. For example, because the IS customers are not allocated SNG costs, shifting some costs from the "SNG" categorization to the "Commodity" categorization may increase costs to IS customers and artificially create a more significant under-collection in that class. Though this could theoretically occur, it has not.

The nearly $50 million under-collected balance was caused by the high commodity prices of gas purchased on the open market during February 2019—costs that would have been allocated to the IS customer class even if the Commission had not approved the Tariff changes proposed in Docket No. 19-057-T01. The commodity balance went from $7.7 million under-collected at the end of January to $45.8 million under-collected at the end of February—a change driven exclusively by market prices which at times reached over $15/Dth. Since all of the sales customers contributed to the under-collection (including IS customers), DEU proposes that all sales customers (including IS customers) pay an equal portion of the amortization.

Notably, in the Company's 2013 General Rate Case (Docket No. 13-057-05), the Company proposed that IS customers should pay the Weighted Average Cost of Gas (WACOG) rate instead of a market rate. At the time, the WACOG was higher than the market rate and, when the change was made in the fall 2014 pass through, the commodity portion of the 191 account was $45 million under-collected (similar to the current balance). In that instance, the IS customer class contributed to the over collection, and received the benefit of the amortization. The same result is appropriate here—the IS class contributed to gas usage that resulted in the under collection, and the IS class should bear the cost of the currently-proposed amortization.

18. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 1.32% increase, or an increase of $8.24 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 1.6.

19. 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 1.7). In Docket No. 19-057-T01, the Company proposed to change the way some costs are defined as either Commodity or SNG costs. That application was approved by the Commission with an effective date that is concurrent with this Application. Therefore, included in this Application are updated

Tariff pages 2-9 through 2-14, which include an effective date of October 1, 2019. This is the same effective date that is being requested for this pass-through Application.

20. Combined Tariff Sheets. In addition to this pass-through Application, Dominion Energy is concurrently filing applications to adjust rates in the following dockets:

Transportation Imbalance Charge	19-057-19
Infrastructure Tracker	19-057-20
Conservation Enabling Tariff Amortization	19-057-21
Energy Assistance	19-057-22

DEU Exhibit 1.8 shows the proposed rate schedules that reflect the Tariff sheets that will be effective should the Commission approve all five applications.

21. 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.

22. 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 Summary of Pass-Through Costs

DEU Exhibit 1.2 Test-Year Commodity Costs

DEU Exhibit 1.3 Confidential Comparison of Gas Price Forecasts

DEU Exhibit 1.4 Test-Year SNG Costs

DEU Exhibit 1.5 Calculation of Commodity and SNG Rates

DEU Exhibit 1.6 Effect on GS Typical Customer

DEU Exhibit 1.7 Legislative/Proposed Tariff Sheets

DEU Exhibit 1.8 Combined Legislative/Proposed Tariff Sheets

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 an increase in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $444,036,444 as adjusted in DEU Exhibit 1.5 and as more fully set out in this Application and in DEU Exhibit 1.7.

2. Authorize Dominion Energy to implement the revised rates effective October 1, 2019.

DATED the 30th Day of August 2019.

Respectfully submitted,

DOMINION ENERGY UTAH

Jenniffer Nelson Clark

Jenniffer Nelson Clark (7947)
Attorney for the Applicant
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392