

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR APPROVAL OF MODIFICATIONS TO TARIFF SECTION 2.06	Docket No. 19-057-T01
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DIRECT TESTIMONY OF JESSICA L. IPSON

FOR DOMINION ENERGY UTAH

DEU Exhibit 1.0

January 22, 2019

TABLE OF CONTENTS

I. INTRODUCTION.....1

II. COST CLASSIFICATIONS1

III. TARIFF SECTION 2.06.....4

IV. IMPACT4

V. CONCLUSION6

1

I. INTRODUCTION

2 **Q. Please state your name and business address.**

3 A. My name is Jessica L. Ipson. My business address is 333 South State Street, Salt Lake
4 City, Utah.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Dominion Energy, Inc. as a Regulatory Affairs Analyst III. I am
7 responsible for preparing various regulatory filings including the pass-through and other
8 regulatory reports and correspondence. I am testifying on behalf of Questar Gas
9 Company dba Dominion Energy Utah (Dominion Energy or Company).

10 **Q. What are your qualifications to testify in this proceeding?**

11 A. I have listed my qualifications in DEU Exhibit 1.1.

12 **Q. Attached to your written testimony are DEU Exhibits 1.1 through 1.5. Were these
13 prepared by you or under your direction?**

14 A. Yes.

15 **Q. What is the purpose of your testimony in this Docket?**

16 A. The purpose of my testimony is to: 1) describe the changes the Company proposes to
17 make to its Utah Natural Gas Tariff No. 500 (Tariff), 2) illustrate the proposed change in
18 the way certain costs are classified between Commodity and Supplier Non-Gas (SNG)
19 rates, and 3) describe the changes in format to the pass-through filing.

20

II. COST CLASSIFICATIONS

21 **Q. Will you please summarize why this change is being proposed?**

22 A. Yes. The Company is proposing the change for clarity and ease in understanding
23 Commodity and SNG costs. In the process of reformatting the Pass-Through filing, the
24 Company reviewed all cost components of Commodity and SNG and found a few did not

25 make sense in their current classification. The Company is proposing to move some
26 current commodity charges to SNG and some current SNG costs to the commodity
27 portion of the pass-through filings. I will explain these in more detail below.

28 **Q. What costs is the Company proposing to be collected through the commodity rate**
29 **rather than the SNG rate?**

30 A. The Company is proposing that gathering and processing costs associated with Dominion
31 Energy Wexpro (Wexpro) production be collected through the commodity rate rather
32 than through the SNG rate, as is the current practice.

33 **Q. Please describe what gathering and processing are.**

34 Gathering is the process of transporting natural gas from the origin point at the wellsite to
35 the processing plant. Processing is cleaning of raw natural gas by separating the
36 impurities and fluids to produce pipeline-quality natural gas.

37 **Q. Why does the Company want to move the gathering and processing costs from the**
38 **Supplier Non-Gas rate to the Commodity rate?**

39 A. To answer this question, it's important to understand where the Company gets its
40 commodity. There are two sources of gas:

41 1. Market Gas Purchases: The Company enters into purchased gas contracts or
42 purchases gas on the spot market. All purchased gas has been gathered and processed
43 prior to the Company purchasing it on the market.

44 2. Cost-of-Service Production: Cost-of-service production is drilled by Wexpro, and
45 then it is gathered and processed prior to entering the transmission lines.

46 In the current Pass Through applications, gathering and processing of cost-of-service gas
47 is included as an SNG cost, which makes it challenging to compare cost-of-service gas
48 prices to market gas purchase prices that have gathering and processing built into the

49 price. Moving the gathering and processing costs to commodity helps to make an apples-
50 to-apples comparison between the two sources of gas.

51 **Q. Are there any reports, besides the Pass Through where the market and cost-of-**
52 **service prices are reported?**

53 A. Yes. The Company currently calculates the cost-of-service price/dth on a monthly basis
54 and reports this value to regulators with the monthly financial reports. In this calculation,
55 the Company includes the costs of processing and gathering of Wexpro gas. These are
56 included so the cost-of-service gas price/dth can be compared to the market purchases
57 price/dth. Including all of the gathering and processing costs in the pass through would
58 make these two reports consistent.

59 **Q. What costs is the Company proposing to be collected through the SNG rate rather**
60 **than the Commodity rate?**

61 A. The Company is proposing that the following costs be collected through the SNG rate
62 rather than through the Commodity rate, as is the current practice:

63 1. **Federal Energy Regulatory Commission (FERC) Annual Charges (ACA):** All
64 Dths that flow through transmission lines are assessed a fee to recover costs incurred
65 by the FERC in the performance of its regulatory responsibilities.

66 2. **Storage Commodity:** Storage usage charges applicable to transportation Dths that
67 are released at a volumetric rate.

68 **Q. Why are you proposing to move the ACA charge and storage commodity charge to**
69 **the supplier non-gas rate?**

70 A. If this change is approved, then all costs related to upstream transportation and storage
71 services will be included in the supplier non-gas costs. The Company believes this
72 classification provides better cost clarity.

73 **Q. Have you prepared any exhibits that illustrate the proposed classification changes?**

74 A. Yes. The current method of classifying these costs as either Commodity or SNG is
75 shown in Exhibit 1.2. The blue boxes show the costs that are currently classified as
76 Commodity costs, and the orange boxes show the costs that are currently classified as
77 SNG costs. Similarly, Exhibit 1.3 shows the proposed classifications. Under the
78 proposed classification, all gathering, processing and commodity costs incurred prior to
79 entering the transmission lines would be considered commodity costs. Similarly, all costs
80 incurred once gas enters the transmission line to the customer would be considered
81 supplier non-gas costs.

82 III. TARIFF SECTION 2.06

83 **Q. Why are changes needed to the Company's Utah Natural Gas Tariff No. 500**
84 **(Tariff)?**

85 A. The existing tariff states that non-gas costs include, "the cost of producing company-
86 owned production associated with purchases under the Wexpro Agreement." This
87 statement needs to be changed so that the gathering and processing costs can be collected
88 as commodity costs.

89 **Q. Please describe the Company's proposed changes to Section 2.06.**

90 A. Dominion Energy has attached as DEU Exhibit 1.4 legislative Tariff and DEU Exhibit
91 1.5 proposed Tariff modifications. The proposed modification would allow Dominion
92 Energy to better classify cost commodity and upstream service costs between the
93 Commodity and SNG rates.

94 IV. IMPACT

95 **Q. What is the dollar impact of the reclassification of Commodity and SNG costs with**
96 **the proposed reclassification?**

97 A. Customer bills will be no different. For example in the Fall Pass-Through filing, Docket
98 No. 18-057-14, gathering and processing costs of about \$24,300,000 would shift from
99 SNG to Commodity costs. ACA and storage commodity costs of about \$600,000 would
100 shift from Commodity to SNG costs.

101 **Q. What would happen to the volumetric rates of Commodity and SNG with proposed**
102 **reclassification?**

103 A. In the last Pass-Through filing commodity rates would increase while SNG rates would
104 decrease. There is no change in the total gas cost collected in the pass-through.
105 Therefore, the overall impact to the typical customer would have stayed the same.

106 **Q. The Company currently makes adjustments to the SNG amortization so that the**
107 **balance swings between roughly \$20,000,000 over-collected and \$20,000,000**
108 **undercollected through the year. Are you proposing any changes to this?**

109 A. Yes. About \$22,000,000 of SNG costs would be collected under the Commodity rate,
110 which would cause the SNG balance to have a lower under/overcollected maximum
111 balance. I have estimated the SNG balance to be approximately \$14,000,000 under-
112 collected and \$14,000,000 over-collected throughout the year in normal weather
113 conditions. The Company would continue to adjust the SNG amortization on an annual
114 basis in the spring pass-through filing.

115 **Q. What are the changes in the reformatting of the Pass-Through filing?**

116 A. As stated earlier, the purpose of the reformat is to provide ease of understanding and
117 calculating of the Commodity and SNG rates. Organization of SNG and Commodity
118 costs was the main formatting change. All items listed in prior pass-through exhibits will
119 still exist in the new format. The following are the redefined pass-through exhibits:

- 120 • Exhibit 1: Summary of Test Year Gas Cost Allocation
- 121 • Exhibit 2: Commodity Test Year Costs
- 122 • Exhibit 3: SNG Test Year Costs
- 123 • Exhibit 4: Commodity and SNG Rate Changes for Test Year
- 124 • Exhibit 5: Effect on Typical Customer
- 125 • Exhibit 6: Legislative and Proposed Tariff Sheets

126 **Q. Has the Company shared these proposed changes with interested parties?**

127 A. Yes. The Company met with the Utah Public Service Commission (Commission) Utah
128 Division of Public Utilities (Division) and the Utah Office of Consumer Services (Office)
129 to discuss the changes in the format in a technical conference on October 25, 2018 under
130 the current pass-through (Docket No. 18-057-14). Since the meeting, no concerns have
131 been raised with the change in format.

132 **Q. When would the proposed Tariff change take effect?**

133 A. If the proposed Tariff change were to be approved, the spring pass-through would follow
134 the new classification of Commodity and SNG. The Company proposes that these
135 changes be approved by the Commission before February 25th so that they could be
136 implemented in a potential March 1, 2019 pass through filing.

137 **V. CONCLUSION**

138 **Q. Is the proposed Tariff change just, reasonable and in the public interest?**

139 A. Yes. The Company is proposing the change to classification of SNG and Commodity for
140 more clarity and apples-to-apples comparison of cost-of-service and purchased gas cost.
141 All gathering, processing and commodity costs incurred prior to entering the transmission
142 lines would be considered commodity costs. All costs incurred once gas enters the
143 transmission line to the customer would be considered supplier non-gas costs. The
144 overall total of the pass-through filings will not change; only certain costs would be
145 reclassified between Commodity and SNG. Accordingly, the Company believes the
146 proposal is just, reasonable and in the public interest and requests that the Commission
147 approve the proposed Tariff provision.

148 **Q. Does this conclude your testimony?**

149 A. Yes.

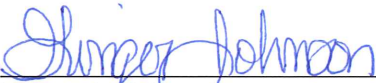
State of Utah)
) ss.
County of Salt Lake)

I, Jessica L. Ipson, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.



Jessica L. Ipson

SUBSCRIBED AND SWORN TO this 22nd day of January, 2019.



Notary Public

