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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 DOMINION ENERGY UTAH'S REPLY COMMENTS

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) respectfully submits these Reply Comments to the Action Request Response (Response) issued by the Division of Public Utilities (Division) on February 8, 2019 in the above-referenced docket.

I. BACKGROUND

On January 22, 2019 the Company filed its Application to modify its Utah Natural Gas Tariff No. 500 (Tariff) to change the gas commodity (Commodity) and supplier non-gas cost (SNG) definitions in order to re-classify some of the costs. On January 29, 2019 the Utah Public Service Commission (Commission) issued a Scheduling Order which set a deadline of February 8, 2019 for interested parties to file initial comments. On February 8, 2019 the

Division filed its Action Request Response (Division's Response). On February 11, 2019 the Public Service Commission of Utah (PSC or Commission) issued a Notice to Dominion Energy Utah of Questions to Address at Hearing (Notice). The Company respectfully submits this Reply in response to the Division's Response and the Commission's Notice.

II. DISCUSSION

In its Response, the Division states it is not opposed to the proposed Tariff changes. While the Company agrees with the Division's conclusion that the Commission should approve the proposed Tariff changes, the Company believes that some clarification is appropriate.

Allocations

First, there appears to be a misunderstanding about the *allocation* of SNG costs and how they relate to the proposed changes to *definitions* in Section 2.06 of the Tariff. Page 2-13 of the Tariff currently states, "supplier non-gas cost class allocation levels will be established in general rate cases." This phrase refers to how the total SNG costs are allocated to the different classes of customers. Cost allocation among customer classes is typically addressed in general rate cases. The SNG cost allocation process is similar to the class cost of service studies used to allocate distribution non-gas costs in a general rate case. The Company plans to address these allocations in its upcoming general rate case. The Company emphasizes that the cost allocation issues are not related to the Tariff changes proposed in this Docket.

In this Docket, the Company proposes a change in the *definitions* of certain costs that are included in pass through filings. These classification changes are simply moving costs from an SNG classification to a Commodity classification. If the Company's proposal to reclassify some costs is approved, all remaining costs in the SNG category will be allocated to the customer classes just as they have been in the past. Though the total cost in that category may change, just as it would if a new transportation or storage contract were added as an SNG cost, the way the costs in that category are allocated among customer classes will not.

The Division indicated that it "is not opposed to the proposed language change as identified for section 2.06 of the Dominion Energy Utah Tariff and believes that a review of the cost allocation within the 191 account is warranted." It is important to note that approving the proposed Tariff changes now will effect a change in the categorization of the referenced costs beginning immediately, not in the next general rate case. If the Tariff requires the Company to classify a particular cost as SNG or Commodity, the Company must do so. Approving the proposed changes will result in a change in cost classification in the next pass through docket. Cost allocation (not to be confused with the definitions of costs belonging in SNG and Commodity respectively) will be addressed in the next general rate case.

There also appears to be confusion related to the allocation factors discussed during the October 25, 2018 technical conference. The Division erroneously stated that "Slide #17 included a breakdown of the proposed changes in the allocation of SNG and Commodity cost and included the cost allocation factors, which were previously determined in a general rate case." In fact, the Commodity allocation factor is not an issue to be resolved in a general rate case. That factor changes in every pass through filing and is dependent on the forecasted sales volumes during the test period. The peak day demand factor is based on forecasted peak day use as calculated in the most recent IRP. Both of these allocation factors can and have been changed outside of general rate cases.

While the Company agrees that cost allocation will be thoroughly reviewed in the upcoming general rate case, the changes proposed in this Docket are not general rate case issues. The definitions of which costs are properly categorized as SNG costs and which costs are properly categorized as Commodity costs are issues to be resolved by way of a Tariff modification, in order to enable the Company to file pass-through applications that reflect the categorization proposed.

The Company's proposal to change these definitions, and its practice in filing pass-through applications going forward, does not impact the way costs are allocated to customer classes. The former are properly dealt with in this docket, and the latter will be addressed in the Company's 2019 general rate case. The Division has indicated agreement that the proposed changes would better align the costs associated with the cost-of service gas production and the cost that is included in the market purchased gas. These changes will simplify and clarify future pass through filings.

Account Classification Detail

In the Commission's Notice, it requested detail on which accounts are proposed to be classified as SNG costs and which accounts are proposed to be classified as Commodity costs. Attached as DEU Reply Exhibit 1 is a chart that shows both the current and proposed classifications of the costs in the 191 account. The chart shows the dollar amounts from the Fall 2018 Pass Through. The highlighted accounts are the accounts that are changing.

Working Gas Charges

The Commission's notice also requested clarification on the treatment of working gas (Account 164, Working Gas Charges). The Company proposes to treat working gas charges just as they have always been treated—as a Commodity cost. While a small portion of the gas included in Account 164 is reflective of working gas that serves as cushion gas in storage facilities, the much larger portion of that account includes costs associated with gas that is stored during summer months for use during the winter. Because the stored gas is a commodity that is ultimately transported to customers for use, and because it represents the larger portion of costs in Account 164, the Company treats these costs as Commodity costs. The costs associated with payments for contracts for storage will continue to be charged as SNG costs.

Effect on Customers

The Company provided the calculations that were used in the Division's Response and referenced in the Commission's notice, and acknowledges that the TS and IS customers will experience an increase, as reflected in the Division's Response and the Notice. The Company has not notified either the IS or the TS customers about changes to the rates yet, since no classification changes have been approved and the rates that will ultimately be passed on will not be known until the next pass through application is filed. These rate changes could be more or less than what was outlined in the Division's Response. In the case of the TS customers and the change to the Transportation Imbalance Charge (TIC), the change is expected to be very small. As described in the Division's Response, the rate is only going up by one tenth of a cent and that minor increase is only applied to volumes of customers that are outside the +/- 5% nomination tolerance. The Company agrees with the Division's analysis that customers in the IS class could experience an increase of approximately $41,000 annually, class-wide. The Company does not yet know what increase, precisely, the IS class will experience in the next pass-through proceeding if the Commission approves the Company's proposal. Given that the potential increase is relatively small and not entirely certain, the Company does not believe that special notice or exceptional steps are warranted. Therefore, the Company believes it is appropriate that this matter was brought in a public proceeding, and noticed to all interested parties by the Commission. More importantly, the Company believes that shifting the costs from one classification to another is appropriate, as described herein, and that such a change going forward is in the public interest.

III. CONCLUSION

Based on the foregoing, the Company believes that the proposed Tariff changes are just and reasonable and in the public interest. Therefore, the Company requests that the Commission approve the changes detailed in the Company's Application in this Docket.

DATED this 12th day of February, 2019.

Respectfully submitted,

QUESTAR GAS COMPANY dba
DOMINION ENERGY UTAH

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing document DOMINION ENERGY UTAH'S REPLY COMMENTS was served upon the following by electronic mail on February 12, 2019:

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Pass-Through Costs
18-057-14
Commodity and SNG Breakout

			CURRENT					PROPOSED RECLASSIFICATION					
	FERC Accounts	Description	COM OR SNG	Commodity	Commodity UT	SNG	SNG UT	COM OR SNG	Commodity	Commodity UT	SNG	SNG UT	Allocation Factor 1/
1	813	Wexpro I Operator Service Fee	COM	197,658,075	190,977,804			COM	197,658,075	190,977,804			2
2	758	Wexpro I Royalties	COM	19,427,107	18,770,527			COM	19,427,107	18,770,527			2
3	483 490 492 495 758	Wexpro I Revenue Credits	COM	(15,177,753)	(14,664,789)			COM	(15,177,753)	(14,664,789)			2
4	813	Wexpro II Operator Service Fee	COM	44,164,130	42,671,511			COM	44,164,130	42,671,511			2
5	758	Wexpro II Royalties	COM	5,062,928	4,891,816			COM	5,062,928	4,891,816			2
6	483 490 492 495 758	Wexpro II Revenue Credits	COM	(1,515,989)	(1,464,753)			COM	(1,515,989)	(1,464,753)			2
7	803	Purchased Gas Current Contracts	COM	56,502,148	54,592,539			COM	56,502,148	54,592,539			2
8	803	Purchased Gas Forecast Spot	COM	74,195,613	71,688,016			COM	74,195,613	71,688,016			2
9	803	Purchased Gas Future Contracts	COM	2,951,553	2,851,799			COM	2,951,553	2,851,799			2
10	808	Storage Adjustment	COM	5,636,773	5,446,266			COM	5,636,773	5,446,266			2
11	164	Working Gas	COM	3,384,874	3,270,475			COM	3,384,874	3,270,475			2
12	858	ACA (FERC)	COM	172,054	166,239			SNG			172,054	166,239	2
13	813	Storage Commodity	COM	493,692	477,007			SNG			493,692	477,007	2
14	858	Transportation Demand	SNG			61,293,375	59,561,298	SNG			61,293,375	59,561,298	1
15	858	QPC Commodity	SNG			320,642	309,805	SNG			320,642	309,805	2
16	858	Kern River Commodity	SNG			53,938	52,115	SNG			53,938	52,115	2
17	759	QEPFS/Tesoro Field Services Demand	SNG			11,774,616	11,441,880	COM	11,774,616	11,441,880			1
18	759	QEPFS/Tesoro Field Services Commodity	SNG			7,391,644	7,141,828	COM	7,391,644	7,141,828			2
19	759	Wexpro II Gathering	SNG			2,927,171	2,828,241	COM	2,927,171	2,828,241			2
20	759/813	Other Wexpro I Gathering Charges	SNG			3,013,070	2,911,237	COM	3,013,070	2,911,237			2
21	858	Other Transportation Charges	SNG			3,718,588	3,592,911	SNG			3,718,588	3,592,911	2
22	813	Storage Demand	SNG			16,725,058	16,252,428	SNG			16,725,058	16,252,428	1
23	858	Peak Hour Service	SNG			2,099,815	1,778,477	SNG			2,099,815	1,778,477	1
24		Total		392,955,205	379,674,458	109,317,918	105,870,220		417,395,960	403,354,398	84,877,162	82,190,279	
25		Total Gas Costs				502,273,122	485,544,677				502,273,122	485,544,677	

1/ Allocation Factors	Total	Wyoming	Utah
#1 Peak Day Demand			
Dth-	1,330,170	37,589	1,292,581
Percent-	100.00%	2.83%	97.17%
#2 Commodity Sales - All			
Dth-	114,995,095	3,886,501	111,108,594
Percent-	1	3.38%	96.62%

Dominion Energy Utah
19-057-T01
Exhibit 1