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State of Utah
Department of Commerce
Division of Public Utilities

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Comments

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Eric Orton, Utility Technical Consultant
Doug Wheelwright, Utility Technical Consultant

Date: March 19, 2019

Re: **Approval of Modifications to Dominion Energy Tariff Section 2.06**

Docket No. 19-057-T01

Recommendation (Approval)

The Division of Public Utilities (Division) is not opposed to the language change as identified in section 2.06 of the Dominion Energy Utah (Dominion or the Company) Tariff. Since the initial application, the Company has provided additional information to the Division and has notified Interruptible Service (IS) customers of the proposed change and the potential effect on customer rates. The Division recommends the effective date of the proposed tariff change be the same as the effective date of the next Pass-Through filing. The Division also recommends the Company propose a method to collect or return the under or over-collected balance related to the tariff change to the appropriate customers. Since the allocation of Supplier Non-Gas (SNG) and Commodity cost has not been examined for some time, the Division additionally recommends the allocation of SNG and Commodity costs be reviewed as part of the next general rate case and in all future general rate case filings.

Issue

On January 22, 2019, Dominion filed an application for approval to change the definition for Commodity and SNG costs in Section 2.06 of the Company's Utah Tariff. Also, on January 22, 2019, the Commission issued an action request to the Division requesting an investigation. On February 8, 2019, the Division filed a response to the action request. On February 12, 2019, the Office of Consumer Services (Office) and the Company filed reply comments. On February 14, 2019, the Company requested the hearing date be vacated and asked for a new scheduling conference. On February 19, 2019, the Commission held a scheduling conference and on March 11, 2019, the Company presented additional information in a Technical Conference to clarify the intent and effect of the proposed change. These are the Division's revised comments and recommendation.

Background

In its initial filing, Dominion proposed a change in the Tariff language in order to allow a change to the classification of costs between Commodity and SNG costs. In a future 191 Pass-Through proceeding, the Company will propose that all gathering and processing costs incurred prior to the gas entering the interstate transmission lines regulated by the Federal Energy Regulatory Commission (FERC) be changed to Commodity costs rather than SNG costs (as they are currently classified). Specifically, the Company will propose to move QEPFS/Tesoro Field Services Demand and Commodity charges along with Wexpro I and Wexpro II Gathering Charges from SNG to Commodity. In addition, the Company will propose to move ACA (FERC) charges and Commodity storage charges from Commodity to SNG. While the allocation of SNG and Commodity cost within the 191 account is affected by a realignment of these charges, the total Commodity and SNG gas cost for the Company remains the same. The proposed change will have an effect on the calculation of rates for GS customers, the transportation imbalance charge, and the rate for IS customers.

Discussion

The Division's initial response noted IS customers would be affected by the proposed change and recommended this issue be addressed in the next general rate case when there would likely to be the greatest participation from interested parties. Since that time, the Company stated that it has contacted IS customers and it has provided additional details and clarification to the Division related to the proposed tariff changes and the affect to customers. The proposed change would better align the costs associated with the cost-of-service gas production with the cost of market purchased gas. The Division supports the Tariff change but recommends the effective date for the Tariff change be made to coincide with the effective date of the next 191 Pass-Through filing. Coordinating the effective dates for the tariff change and the next 191 filing will create a date certain for cost allocation of historical actual cost as well as projected cost used to establish customer rates. The Company should also prepare an analysis and proposal of how it would recommend to amortize the under or over-collection of the 191 balance to the existing customers.

As stated in the Division's previous memo, it is unclear when the current cost allocation of SNG and Commodity costs was established or the primary reasons for the current designation. Based on preliminary research, it appears that the current cost allocation practices may not have been reviewed since the 1984 general rate case. A review of the SNG and Commodity costs and potential changes to the cost allocation methodology is overdue. The Division recommends the cost allocation for Commodity and SNG costs be reviewed in the next general rate case and recommends the Commission direct the Company to include a review of the cost allocation in all future general rate case filings.

Conclusion

In this application, the Company asked only for approval for minor changes to the language to Section 2.06 of the Dominion Energy Utah Tariff. The Division is not opposed to the change, however recommends the effective date of the proposed tariff change be the same as the effective date of the next Pass-Through filing. The Division also recommends the Company identify the proper methods to collect or return the under or over-collected balance in the 191 account to the appropriate customers. Since the allocation of SNG and Commodity costs has not been examined for some time, the Division recommends the allocations be reviewed as part of the next general rate case and in all future general rate case filings.

Cc: Kelly Mendenhall – Dominion Energy
Jessica Ipson – Dominion Energy
Michele Beck – Office of Consumer Services