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Application of Dominion Energy Utah for  
Approval of Modifications to Tariff Section  
2.06

DOCKET NO. 19-057-T01  
  
ORDER APPROVING DOMINION  
ENERGY UTAH'S MODIFICATIONS TO  
TARIFF SECTION 2.06

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ISSUED: May 9, 2019

**PROCEDURAL HISTORY**

On January 22, 2019, Dominion Energy Utah (“DEU”) filed an application (“Application”) with the Public Service Commission of Utah (“PSC”) for approval allowing DEU to rearrange certain gas commodity and non-gas cost functions as defined under Section 2.06, “Gas Balancing Account,” of DEU’s Utah Natural Gas Tariff No. 500 (“Tariff,” “Tariff Section 2.06”).

On February 8, 2019, the Utah Division of Public Utilities (“DPU”) filed initial comments. On February 12, 2019, the PSC received reply comments from the Office of Consumer Services (“OCS”) and DEU.

On February 14, 2019, DEU filed, and the PSC granted, a motion to vacate the February 15, 2019 hearing date and a request for a scheduling conference.

Following the February 19, 2019 scheduling conference in this docket, the PSC issued an amended scheduling order on February 20, 2019; pursuant to this amended scheduling order, the PSC held a technical conference on March 11, 2019.

On March 19, 2019, the DPU filed revised comments (“DPU’s Revised Comments”); on March 29, 2019, DEU submitted responsive comments.

No other parties filed comments. No one opposed the Application, and the time for doing so has elapsed.

On April 23, 2019, the PSC held a hearing in the matter; DEU, the DPU, and the OCS participated in the hearing.

### **THE APPLICATION**

The Application explains that DEU obtains its gas commodity from market gas purchases and company-owned Cost-of-Service (“COS”) production.<sup>1</sup> While market gas prices include gathering and processing costs, DEU states COS gas gathering and processing costs are currently recognized as supplier non-gas (“SNG”) costs in DEU’s 191-Account Pass-Through (“Pass-Through”) filings. This creates a challenge when comparing the price of COS gas with the price of market gas purchases.<sup>2</sup> Accordingly, the Application requests PSC approval for DEU to rearrange the assignment of certain cost-based gas resource functions, as referenced at Tariff Page 2-9.

For clarity and ease in understanding DEU’s commodity and SNG costs, DEU proposes that all gathering and processing costs incurred prior to its COS gas commodity entering the interstate transmission lines regulated by the Federal Energy Regulatory Commission (“FERC,” “FERC-Regulated Pipelines”) be recognized functionally as commodity costs. Conversely, DEU also proposes that all costs incurred when and after gas enters a FERC-Regulated Pipeline be recognized functionally as SNG costs.<sup>3</sup> To achieve this objective, DEU proposes the following

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<sup>1</sup> COS production is gas produced by Wexpro, and gathered and processed according to the provisions of the Wexpro Agreement prior to entering a gas transmission line.

<sup>2</sup> DEU Ipson Direct at 2:37-48; 3:49-50.

<sup>3</sup> See DEU Exhibits 1.2 and 1.3.

cost-functional reassignments: 1) QEPFS/Tesoro Field Services Demand, QEPFS/Tesoro Field Services Commodity, Other Wexpro I Gathering Charges, and Wexpro II Gathering shall be treated as commodity cost functions, and 2) ACA (FERC) Charges and Storage Commodity Charges shall be treated as SNG cost functions.<sup>4</sup>

In support of its Application, DEU submitted pre-filed direct testimony, exhibits illustrating the proposed modifications and their estimated impacts to ratepayers, and Tariff Section 2.06 sheets revised in proposed and legislative formats. DEU states the information provided in the Application demonstrates the proposed changes are just and reasonable, and in the public interest.

**RECOMMENDATIONS FROM THE DPU AND THE OCS**

*A. The DPU*

In its February 8, 2019 comments, the DPU stated it did not oppose DEU's changes to Section 2.06 and recommended approval on the basis the proposed changes would better align the costs of COS gas production functions with those inherent in gas purchases procured through market.<sup>5</sup> The DPU also indicated the proposed changes will result in billing impacts to DEU's GS, IS, and TS customers in various ways as shown in DPU Exhibits 1.1-1.3.<sup>6</sup>

In its March 19, 2019 comments, the DPU restated its support of the proposed Tariff change. The DPU recommended that the proposed Tariff changes take effect coincidentally with the effective date of DEU's next Pass-Through filing, creating a certain date for allocation of

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<sup>4</sup> The FERC Accounts associated with these changes are identified in Exhibit 1 to DEU's February 12, 2019 Reply Comments.

<sup>5</sup> See DPU February 8, 2019 Action Request Response at 3.

<sup>6</sup> See DPU Exhibits 1.1 – 1.3.

both historical costs and any projected costs underlying customer rates. Further, regarding the expected customer billing impacts from the proposed changes, the DPU states “[s]ince the initial application, [DEU] has provided additional information to the [DPU] and has notified [IS] customers of the proposed change and the potential effect on customer rates.”<sup>7</sup>

The DPU added a recommendation that DEU analyze and propose how it will remit to appropriate customer classes any under- or over-collection in DEU’s 191-Account attendant to the proposed realigned cost functions taking effect. The DPU also recommends DEU review the allocation of SNG costs to each customer class in its forthcoming and in all future general rate case filings.

At hearing, the DPU stated that the changes are reasonable and in the public interest.

*B. The OCS*

In its February 12, 2019 comments, the OCS stated it agrees with and supports the recommendations provided in the DPU’s February 8, 2019 initial comments, and that it does not oppose DEU’s proposed definitional changes in Tariff Section 2.06. At hearing, the OCS stated it takes no position on DEU’s Application. Further, the OCS stated its appreciation for an expanded schedule providing further opportunity for involvement by DEU’s customers to identify estimated billing changes.<sup>8</sup>

**DEU’s REPLY**

In its February 12, 2019 reply comments, DEU affirmed the changes expected in rates resulting from the proposed Tariff change “could be more or less than what was outlined in the

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<sup>7</sup> DPU March 19, 2019 Comments at 1.

<sup>8</sup> April 23, 2019 Hearing Audio Transcript at 8:17–8:43.

[DPU's February 8] Response.”<sup>9</sup> DEU stated the billing impact to TS customers resulting from the proposal is expected to be very small, and that the expected change in IS rates is also small, but still not entirely certain. Nevertheless, DEU agrees with the DPU's estimate of a class-wide annualized increase of approximately \$41,000 to the IS customer base. In response to the DPU's March 19, 2019 Revised Comments, DEU affirmatively represents it is reviewing SNG allocations and will address the subject in the next general rate case.<sup>10</sup> DEU also clarified that the value of gas commodity stored underground would not increase given PSC approval in this proceeding.<sup>11</sup>

At hearing, DEU requested the proposed changes be made effective at the time of its next Pass-Through filing as recommended in the DPU's Revised Comments, stating this is “a clean way to make the transition to the proposed structure and eliminate some amortization complexities that occur if the change is made prior to [DEU's next Pass-Through] filing.”<sup>12</sup> Additionally, concurrent with its next Pass-Through filing, DEU will submit, along with the requisite updated Tariff Section 2.06 sheets, recommendations on remittance of any under- or over-collection in revenues associated with the proposed Tariff change. DEU stated the proposed changes are just, reasonable, and in the public interest.

At hearing, there was no opposition to the Application.

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<sup>9</sup> DEU February 12, 2019 Reply Comments at 5.

<sup>10</sup> DEU March 29, 2019 Reply Comments at 3.

<sup>11</sup> *Id.* at 2.

<sup>12</sup> April 23, 2019 Hearing Audio Transcript at 4:17-4:32.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Based on the Application, filed comments, testimony, and absence of any opposition, we find DEU's proposal to redefine the components included in commodity and SNG costs reasonable, as it ensures consistency in how gathering and processing costs for market and COS gas are treated in DEU's 191-Account.

In addition, we find the procedural schedule afforded an opportunity for affected customers to participate in this matter. Given the afore, information in the Application, pre-filed and hearing testimony from all parties, and there being no opposition to the Application, we find the proposed Tariff modifications will lead to rates that are just and reasonable in result, and conclude the proposed Tariff modifications are in the public interest. Accordingly, we approve the proposed modifications in Tariff Section 2.06.

We acknowledge the consensus position reached by the DPU and DEU that the proposed changes should take effect in connection with DEU's next 191-Account Pass-Through application. For reasons provided in testimony and at hearing, we find the request reasonable, and conclude it is in the public interest.

We also acknowledge the consensus position reached by the DPU and DEU regarding analysis and recommendations on remittance between appropriate customer classes of any under- or over-collection in the 191-Account attendant to the proposed Tariff changes. We find this recommendation a reasonable means of addressing the disposition of the 191 account balance at the time the proposed changes take effect, and conclude it is in the public interest.

Additionally, we acknowledge DEU's affirmative representation<sup>13</sup> that it is reviewing SNG cost allocation assignments and will address the subject in the next general rate case.

**ORDER**

Therefore, we:

- 1) Approve the Application as filed;
- 2) Order DEU to file with the PSC updated Tariff Pages 2-9 through 2-14 concurrently with DEU's next 191-Account, Pass-Through filing. Tariff Pages 2-9 through 2-14 shall have an effective date consistent with the effective date of the next 191 Pass-Through filing;
- 3) Direct DEU to file with the PSC, concurrently with DEU's next 191-Account, Pass-Through filing, an analysis and recommendation regarding remittance of any under- or over-collection in the 191-Account balance between customer classes attendant to the approved Tariff changes.

DATED at Salt Lake City, Utah, May 9, 2019.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#308187

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<sup>13</sup> See DEU's March 29 Reply Comments at 3.

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.



CERTIFICATE OF SERVICE

I CERTIFY that on May 9, 2019, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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