PASS-THROUGH APPLICATION OF	)	
DOMINION ENERGY UTAH FOR	)	Docket No. 20-057-07
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

May 1, 2020

- 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. 20-057-07 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 a decrease of $10,891,000 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 decrease requested in this Application is the commodity costs from Wexpro production and market purchases, as well as savings due to Wexpro purchasing gathering facilities from MPLX (formerly Andeavor). The information contained in this Application is based on the March 2020 average of projected gas prices from two nationally recognized forecasting organizations and reflects Utah gas costs of $428,381,603. This case proposes an overall decrease of $10,891,000 which includes a decrease of $9,171,000 in the commodity portion of rates and a decrease of $1,320,000 in the supplier non-gas (SNG) portion of rates. If the Commission grants this Application, typical residential customers using 80 dekatherms per year will see a decrease in their total annual bill of $8.27 (or 1.28%).

In support of this Application, Dominion Energy states:

1. <u>Dominion Energy's Operations</u>. 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 its general authority pursuant to Utah Code Ann. § 54-4-1 and the energy balancing account authority embodied in Utah Code Ann. § 54-7-13.5 (2019).

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 May 31, 2021. 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 $428,381,603 in gas costs for Utah (DEU Exhibit 1.1 page 2, line 17).

5. 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 $227,712,471, 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 $13,429,439 (line 3) on Company-owned gas produced under Wexpro I and royalty payments of $3,289,603 (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 10.

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 $178,982,583 (line 4) system-wide. On March 1, 2020 MLPX sold a portion of its gathering system to Wexpro. As a result of this sale, costs associated with the system-wide gathering agreement decreased. Specifically, Wexpro acquired the gathering facilities for Moxa/Bruff, Pinedale and Trail, an area providing gathering for volumes produced under the Wexpro I Agreement. Wexpro will operate gathering for these fields and all associated costs will be included as part of the Operator Service Fee for Wexpro I. Those costs are more than offset by the savings associated with gathering costs that will no longer be incurred as a result of the purchase. These changes are reflected in this Pass-Through Application and its attachments. The operator service fee for Wexpro II is expected to be $32,010,846 (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 $15,343,704 are the forecasted amounts for the 12 months of the test year as shown on line 19. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation[1] in this test period (line 18).

6. Summary of Gas-Related Gas Costs. DEU Exhibit 1.2, page 3 summarizes Dominion Energy Wexpro's total gas costs by component. The total 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. A portion 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). As mentioned in paragraph 5(b) above, Wexpro acquired the gathering facilities in some fields that were formerly gathered under the Systemwide Gathering Agreement. MPLX will continue to operate the remaining fields under the Gathering Agreement. Other gathering charges associated with Wexpro I are $1,926,347 (DEU Exhibit 1.2, page 3, line 6). Wexpro II volumes are gathered under a separate agreement and are estimated to be $2,541,309 (DEU Exhibit 1.2, page 3, line 12).

7. Purchased Gas Costs. Dominion Energy's total purchased gas costs are calculated to be $128,680,395 as shown in DEU Exhibit 1.2, page 4, line 6. For this test year, purchased gas costs are projected to average $2.07005/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 19,360,000 Dths purchase contracts at a total cost of $44,499,543 as shown in DEU Exhibit 1.2, page 4, line 3. For the past

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

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 purchase contracts, Dominion Energy anticipates buying 42,458,721 Dths on the spot market at a total estimated cost of $83,705,058 (line 4).

c. Also, Dominion Energy expects to contract in the future for an additional 344,352 Dths at a total estimated cost of $475,794 as shown on line 5.

8. 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.

9. Working Storage Gas. The return on working storage gas for the most recent 12 months is $2,797,030 (DEU Exhibit 1.2, page 5, line 17).

10. 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.

11. 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 $71,478,724, as shown in DEU Exhibit 1.4, page 1, line 29. 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 $64,634,493 system-wide (DEU Exhibit 1.4, page 1, line 15). This includes a projected capacity release credit of $4,769,816

(DEU Exhibit 1.4, page 1, line 5). The contract with Kern River for 1,885 dekatherms begins period 2 rates on October 1, 2020, lowering the rate on that contract. (lines 7-8).

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 $560,418 (DEU Exhibit 1.4, page 1, line 24).

c. Peak Hour Service. Peak-hour demand is the demand occurring during the hours 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's most recent agreement with Kern River provides peak-hour services for a cost of $1,005,170 (DEU Exhibit 1.4, page 1, line 26). Dominion Energy also has an agreement with DEQP to provide peak-hour services for a cost of $1,405,278 (DEU Exhibit 1.4, page 1, line 27).

12. 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 $16,769,218 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 $16,275,058 (DEU Exhibit 1.4, page 2, line 5). The Spire Energy contract will expire March 31, 2021. The Company does not expect to renew the Spire Energy contract; however, it will depend on forward pricing forecasts. The Company will evaluate the contract as it gets closer to expiration and once there is more certainty in the market since pricing is currently very volatile.

b. Storage Commodity. The charges during the test year for injections to and withdrawals from aquifer peaking, Spire Energy (formerly Ryckman), and Clay Basin storage fields are calculated to be $494,160 (DEU Exhibit 1.4, page 2, line 12).

13. Supplier Non-Gas Cost Class Allocation. In the Report and Order dated February 25, 2020 in Docket No. 19-057-02, the Commission approved a new method for allocating supplier non-gas costs to customers. This new method allocates peak hour contract costs to transportation customers. DEU Exhibit 1.4, page 3, shows the new allocation of SNG costs to all classes, as approved in that order.

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 $342,841,811 (DEU Exhibit 1.5, page 1, line 1). The corresponding unit cost of gas applicable to Utah rates is $3.07628/Dth (DEU Exhibit 1.5, page 1, line 7).

15. Amortization of Commodity Portion of 191 Account Balance. In the Company's last pass-through filing (Docket No. 19-057-18), an amortization rate was established based on the balance in the 191 Account commodity portion at the end of July 2019. The Company notes that per the terms of its Tariff in Section 2.06 GAS BALANCING ACCOUNT ADJUSTMENT PROVISION, under the heading "SURCHARGE RATE DETERMINATION," the surcharge must be established "no less frequently than annually." The Company is proposing to leave the current debit amortization for two reasons. First, the commodity portion of the 191 account is still under-collected by nearly $20 million. Using the current debit amortization will help collect this balance during the summer months. Second, the commodity balance in the 191 account typically moves toward under-collection during the summer months. This under-collection is caused by the current price differential between Company-owned supplies (used during the summer months) and the annual weighted average cost of gas (WACOG) that is charged to

customers during these months. The debit amortization of $0.43865 is shown in 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 18.

16. Unprotected Excess Deferred Income Tax on Purchase Gas Agreement. DEU has been recording the difference in timing between when the Company pays for commodity supplies vs. when the Company receives cost recovery due to the Tax Cuts and Jobs Act of 2017 (TCJA). The Company proposes to amortize the balance of $1,083,300 over the period of one year beginning June 1, 2020 (DEU Exhibit 1.5 page 1, footnote 3). Tax Reform Surcredit 4 will be established as a credit amortization of $0.00972 (DEU Exhibit 1.5, page 1, line 9, column D).

17. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 14, the 191 Account amortization discussed in paragraph 15, and the Unprotected EDIT on Purchase Gas discusses in paragraph 16 yields a unit commodity cost of $3.50521/Dth for sales customers, a decrease of $0.08229/Dth (DEU Exhibit 1.5, page 1, line 10).

18. 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 $85,539,793 (DEU Exhibit 1.5, page 2, line 1).

a. Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover $87,821,663 in supplier non-gas costs (DEU Exhibit 1.5, page 2, line 6). Due to the new method of allocating SNG costs discussed above, DEU has provided a calculation of the new SNG rates at DEU Exhibit 1.5 page 3. The GS and FS Summer/Winter differentials are also shown on pages 4 and 5 of DEU Exhibit 1.5.

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. The balance in the SNG account at the end of March 2020 has an over-collected balance of $13,037,885. A normal SNG balance in March should now be about $14,000,000 over-collected. To keep this account balance within the parameters described above, the Company is proposing to amortize the $962,115 under-collected portion of this balance. This is a reduction to the amortization currently in effect and causes an overall reduction to SNG costs. The debit amortizations are shown on DEU Exhibit 1.5 page 3, lines 17-19.

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 $418,543 was collected from transportation customers from August 2019 to March 2020 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. 20-057-08 for more information.

19. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 1.28% decrease, or a decrease of $8.27 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.

20. 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).

21. Combined Tariff Sheets. In addition to this pass-through Application, Dominion Energy is concurrently filing applications to adjust rates in the Excess Deferred Income Tax Amortization in Docket No. 20-057-06 and Transportation Imbalance Charge in Docket No. 20-057-08.

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

22. 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. 19-057-02.

23. 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 a decrease in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $428,381,603 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 June 1, 2020.

DATED the 1st Day of May 2020.

Respectfully submitted,

DOMINION ENERGY UTAH

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