PASS-THROUGH APPLICATION OF	)	
DOMINION ENERGY UTAH FOR	)	Docket No. 21-057-28
AN ADJUSTMENT IN RATES	)	
AND CHARGES FOR NATURAL	)	
GAS SERVICE IN UTAH	)	APPLICATION

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APPLICATION
AND
EXHIBITS

December 1, 2021

- 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. 21-057-28 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 an increase of $28,885,223 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 increase requested in this Application is higher forecasted gas costs for the test period. The information contained in this Application is based on the October 2021 average of projected gas prices from two nationally recognized forecasting organizations and reflects Utah gas costs of $615,389,550. The Company proposes an overall increase of $28,885,223 which includes an increase of $28,315,488 in the commodity portion of rates and an increase of $569,735 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 an increase in their total annual bill of $20.18 (or 2.63%).

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 (2020).

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 December 31, 2022. 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 $615,389,550 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 $239,203,844, 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 $27,337,912 (DEU Exhibit 1.2, page 1, line 3) on Company-owned gas produced under Wexpro I and royalty payments of $9,778,281 (DEU Exhibit 1.2, page 1, 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 $164,169,481 (DEU Exhibit 1.2, page 1, line 4). The operator service fee for Wexpro II is expected to be $37,918,170 (DEU Exhibit 1.2, page 1, line 9).

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 $23,280,597 are the forecasted amounts for the 12 months of the test year as shown on DEU Exhibit 1.2, page 2, 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). Other gathering charges associated with Wexpro I are $1,597,428 (DEU Exhibit 1.2, page 3, line 6). Wexpro II volumes are gathered under a separate agreement and are estimated to be $3,326,828 (DEU Exhibit 1.2, page 3, line 12).

7. Purchased Gas Costs. Dominion Energy's total purchased gas costs are calculated to be $314,789,426 as shown in DEU Exhibit 1.2, page 4, line 6. For this test year, purchased gas costs are projected to average $4.86424. 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

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

has used an average of gas-price forecasts from S&P Global Platts and IHS Markit . These purchased gas costs comprise the following elements:

a. Dominion Energy currently expects to purchase 25,945,000 Dths through purchase contracts at a total cost of $160,958,837 as shown in DEU Exhibit 1.2, page 4, line 3. The Company's hedging contract for 80,000 Dth/day to help limit exposure to daily price spikes in the winter months January and February are included in current contracts for the test period.

b. In addition to purchase contracts, Dominion Energy anticipates buying 35,409,570 Dths on the spot market at a total estimated cost of $141,532,394 (DEU Exhibit 1.2, page 4, line 4).

c. Also, Dominion Energy expects to contract in the future for an additional 3,360,466 Dths at a total estimated cost of $12,298,195 as shown on DEU Exhibit 1.2, page 4, line 5.

8. <u>Storage Adjustment.</u> 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. <u>Working Storage Gas</u>. The return on working storage gas for the most recent 12 months is $2,769,167 (DEU Exhibit 1.2, page 5, line 17).

10. <u>Forecasted Gas Cost Comparison.</u> 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. <u>Transportation</u>. 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 $74,590,336, as shown in DEU Exhibit 1.4, page 1, line 30. These costs include the following elements:

a. <u>Dominion Energy Questar Pipeline, LLC (DEQP), Dominion Energy Overthrust Pipeline, LLC (DEOTP), and Kern River Gas Transmission Company (Kern River) Demand Rates</u>. Annual transportation demand charges to transport produced and purchased gas are calculated to be $68,088,786 system-wide (DEU Exhibit 1.4, page 1, line 15). This includes a projected capacity release credit of $1,403,918 (DEU Exhibit 1.4, page 1, line 5). The Company's contract with Dominion Energy Overthrust Pipeline, LLC totals $166,056 (DEU Exhibit 1.4, page 1, line 7). This contract extends the path of capacity on an existing contract with DEQP. This contract allows the Company to purchase gas at a more convenient location and transport it to the receipt point on a DEQP contract.

b. DEQP, DEOTP, 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 $552,668 (DEU Exhibit 1.4, page 1, line 25).

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 $1,387,928 (DEU Exhibit 1.4, page 1, line 27). Dominion Energy's most recent agreement with DEQP provides peak-hour services for a cost of $1,648,076 (DEU Exhibit 1.4, page 1, line 28).

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 $14,497,736 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 $14,025,058 (DEU Exhibit 1.4, page 2, line 5).

b. Storage Commodity. The charges during the test year for injections to and withdrawals from aquifer peaking and Clay Basin storage fields are calculated to be $472,678 (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 method allocates peak hour contract costs to transportation customers. DEU Exhibit 1.4, page 3, shows the 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 $529,089,631 (DEU Exhibit 1.5, page 1, line 1). The corresponding unit cost of gas applicable to Utah rates is $4.61960/Dth (DEU Exhibit 1.5, page 1, line 7).

15. Amortization of Commodity Portion of 191 Account Balance. The actual October 31, 2021 191 Account commodity portion is under-collected, and the Company proposes to amortize that under-collected portion of $65,305,666 by establishing a debit amortization of $0.57020 (DEU Exhibit 1.5, page 1, line 8, column D). The under-collection is caused entirely by high gas purchase costs that the Company incurred during the Texas extreme weather event from February 12-17th. The shutdown of electric generation capacity in Texas led to high demand for natural gas prices in Wyoming, and the Company paid prices as high as $121.61/Dth during this period. The impact of this event was mitigated by the Company's diverse gas supply portfolio, which includes Wexpro cost of service gas supplies, storage contracts and fixed price contracts. As a result, this under collected amount can be managed entirely through this pass-through cost recovery filing and no additional cost recovery measures will need to be taken. The treatment of the supplier non-gas cost portion of the 191 Account and gas management cost are described in paragraph 19. During the Texas extreme weather event in February 2021, Operational Flow Orders (OFO) were issued. A substantial OFO penalty charge of $929,052 was incurred by some transportation customers and the aggregated charges were assigned to one customer by the marketer of the penalized customers. The proceeds from the penalty is included in the under-

collected commodity balance account amortization to credit sales customers for the gas that was used by the transportation customer during that period of time.

16. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 14, and the 191 Account amortization discussed in paragraph 15 yields a unit commodity cost of $5.18980/Dth for sales customers, an increase of $0.24725/Dth (DEU Exhibit 1.5, page 1, line 9).

17. RIN (Renewable Identification Numbers) Proceeds from CNG. The Order issued on October 30, 2020, for Docket No. 20-057-14 directed the Company "to continue to evaluate other methods to more transparently account for the NGV RIN credit in the 191 Account model, rather than the method it used in this case in which it recognized the credit through the commodity portion of the test year forecast." The Company has evaluated and changed the method of handling the RIN proceed to be recognized in the amortization rate rather than the commodity rate. This treats the RIN proceeds similar to other known, or historical costs. In Docket No. 21-057-17, RIN proceeds were generated through RNG (renewable natural gas) sales at the Company's CNG Station. The RIN proceeds totaled $74,160 (DEU Exhibit 1.5, page 1, footnote 3). A total of $11,916 is expected to be amortized by December 1, 2021 with an amount of $62,244 remaining to be amortized. In addition, new RIN proceeds have been received in September and October 2021 totaling $14,325. The sum of remaining RIN proceeds and new RIN proceeds results in a total of $76,569 of RIN proceeds ($62,244 + $14,325) to be amortized over the test period. A credit of $0.37839 will reduce the commodity cost for NGV customers yielding a unit commodity cost of $4.81141 (DEU Exhibit 1.5, page 6, line 7, column B).

18. Supplier Non-Gas Costs. Since mid-1984, Dominion Energy's rate structure has incorporated a supplier non-gas component that reflects 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 $86,299,919 (DEU Exhibit 1.5, page 2, line 1).

a. Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover $90,961,180 in supplier non-gas costs (DEU Exhibit 1.5, page 2, line 6). DEU has provided a calculation of the 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 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. Therefore, the Company is proposing to continue amortizing the $5,372,883 under-collected portion of this balance established in the spring pass-through case (Docket No. 21-057-11) using the forecasted volumes in this docket. 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 associated with the services 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 $109,270 was collected from transportation customers from September to October 2021 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. 21-057-29 for more information.

19. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 2.63% increase, or an increase of $20.18 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, the Company is also concurrently filing an Application for an adjustment to the Daily Transportation Imbalance Charge in Docket No. 21-057-29. DEU Exhibit 1.8 shows the proposed rate schedules that reflect the Tariff sheets that will be effective should the Commission approve both 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 an increase in rates and charges applicable to its Utah natural gas service that reflect annualized gas costs of $615,389,550 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 January 1, 2022 on an interim basis.

DATED the 1st day of December 2021.

Respectfully submitted,

DOMINION ENERGY UTAH

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Application was served upon the following persons by e-mail on December 1, 2021:

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