PASS-THROUGH APPLICATION OF	)	
DOMINION ENERGY UTAH FOR	)	Docket No. 17-057-20
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
October 2, 2017

- 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. 17-057-20 APPLICATION

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or the Company) respectfully requests Commission approval of this Application for an increase of $24,570,000 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 increase requested in this Application is the increased cost of gas. The information contained in this Application is based on the August 2017 average of projected gas prices from two nationally recognized forecasting organizations, and reflects Utah gas costs of $567,733,990. This case proposes an overall increase of $24,570,000 which includes an increase of $22,466,000 in the commodity portion of rates and an increase of $2,104,000 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 an increase in their total annual bill of $17.74 (or 2.55%).

In support of this Application, Dominion Energy states:

1. Dominion Energy's Operations. 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 (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 Utah Code Ann. § 54-7-13.5 (2016).

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.

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 October 31, 2018.

5. Cost-of-Service Production. Exhibit 1.1 shows the expected test-year costs for gas produced for Dominion Energy by Dominion Energy Wexpro (Wexpro) under Wexpro I and Wexpro II Agreements. System-wide, total costs for Dominion Energy's production are expected to be $332,610,598, as shown on page 21 of Exhibit 1.1. These costs comprise the following elements:

(a) Royalty Payments. During the test year, Dominion Energy will make royalty payments of $27,382,571 (Exhibit 1.1, page 18, line 1396) on Company-owned gas produced under Wexpro I and royalty payments of $8,000,438 (Exhibit 1.1, page 21, line 1598) 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 6.

(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 $251,843,348 (Exhibit 1.1, page 18, line 1397) system-wide. The operator service fee for Wexpro II is expected to be $45,384,241 (Exhibit 1.1, page 21, line 1599). Dominion Energy Utah, Dominion Energy Wexpro, and the Utah Division of Public Utilities entered into a Memorandum of Understanding (MOU) on June 28, 2017, that arose from the Overland Report. The MOU contained terms and conditions upon which the Parties agreed for the stated time of 2009-2014 and going forward. All settled issues were accounted for in the June 2017 191 account entries.

6. Purchased Gas Costs. Dominion Energy's total purchased gas costs are calculated to be $158,575,083 as shown in Exhibit 1.2, line 6. For this test year, purchased gas costs are projected to average $3.23055/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. Exhibit 1.10 provides a comparison of the gas price forecasts, as well as the average of the forecasts, for the test year. These purchased gas costs comprise the following elements:

(a) Dominion Energy currently expects to purchase 24,125,500 Dths under existing contracts at a total cost of $80,633,270 as shown in Exhibit 1.2, line 3. For the past 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 current contracts, Dominion Energy anticipates buying 24,907,885 Dths on the spot market at a total estimated cost of $77,793,518 (Exhibit 1.2, line 4).

(c) Also, Dominion Energy expects to contract in the future for an additional 52,644 Dths at a total estimated cost of $148,295 as shown on Exhibit 1.2, line 5.

7. Transportation, Gathering and Processing. Dominion Energy incurs system-wide charges for transportation and gathering services for delivery of gas to its system. The transportation, storage, and peak hour service costs are based on upstream pipelines' rates. These costs are calculated to be $102,183,061, as shown in Exhibit 1.3, page 1, line 36. 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 $68,558,364 system-wide (Exhibit 1.3, page 1, line 15). This includes a projected capacity release credit of $40,496 (Exhibit 1.3, page 1, line 4).

(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 $553,848 (Exhibit 1.3, page 1, line 25).

(c) Gathering and Transportation Charges. Gathering charges are computed on the basis of forecasted production and gathering volumes for the test period. The majority 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). In July 2017, a dispute arose between the Company and QEPFS/Tesoro regarding the rates and charges used to calculate the gathering rate. Based on the information available to date, the Company estimates gathering costs under the Gathering Agreement to be $18,204,334 (Exhibit 1.3, page 1, line 28). This amount is subject to adjustment pending the outcome of the dispute. Wexpro II volumes are gathered under a separate agreement and are estimated to be $7,101,910 (Exhibit 1.3, page 1, line 29). Other gathering and transportation charges are $1,902,464 and $3,500,326 respectively (Exhibit 1.3, page 1, lines 30-31).

(d) Peak Hour Service. Peak hour demand is the hour during the day when total customer usage is at its highest. Peak 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 peak day demand on an operationally available (interruptible) basis. To guarantee firm service during peak hour, Dominion Energy entered into an agreement with Kern River to provide peak hour services for a cost of $874,000 (Exhibit 1.3, page 1, line 33). Dominion Energy has also entered into an agreement with DEQP to provide peak hour services for a cost of $1,487,815 (Exhibit 1.3, page 1, line 34).

8. Storage Gas 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 $21,122,873 as shown in Exhibit 1.3, page 2, line 28. The components of these costs are the following:

(a) Storage Demand. The demand component of storage is calculated to be $16,725,058 (Exhibit 1.3, page 2, line 5). The Company has resolved its dispute with Ryckman Creek Resources, LLC and commenced storage service on April 1, 2017. Therefore, the contract Ryckman Creek costs have been included in this Application.

(b) Storage Commodity. The charges during the test year for injections to and withdrawals from aquifer peaking, Ryckman, and Clay Basin storage fields are calculated to be $398,034 (Exhibit 1.3, page 2, line 12).

(c) Working Storage Gas. The return on working storage gas for the most recent 12 months is $3,999,781 (Exhibit 1.3, page 2, line 27).

9. Summary of Gas-Related Gas Costs. Exhibit 1.4, page 1, shows Dominion Energy's gas costs by component and page 2 reflects the annualized unit cost of storage gas as well as the withdrawal and injection adjustment. Exhibit 1.4, page 3, 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 $21,635,993 are the forecasted amounts for the 12 months of the test year as shown in Exhibit 1.4, page 3, line 18. There are no anticipated credits for sales of gas under the Wexpro II Trail Unit Stipulation[1] in this test period (Exhibit 1.4, page 1, line 11). Exhibit 1.5 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 $567,733,990 in gas costs for Utah (Exhibit 1.5, line 15).

10. Unit Gas Commodity Cost in Rates. Exhibit 1.6, page 1, shows the derivation of gas commodity unit costs to be reflected in Dominion Energy's Utah rate schedules, excluding supplier non-gas costs. Total Utah estimated test-year costs to be collected through the Account No. 191 procedures are $567,733,990. The portion of expected test-year gas costs to be recovered on a commodity basis is $452,458,239 (Exhibit 1.6, page 1, line 6). The corresponding unit cost of gas applicable to Utah rates is $4.08676/Dth (Exhibit 1.6, page 1, line 7).

11. Amortization of 191 Account Balance. The actual August 31, 2017 191 Account commodity portion is under-collected, and the Company proposes to amortize that under-collected portion of $15,003,719 by establishing a debit amortization of $0.13552/Dth (Exhibit 1.6, page 1, line 8). The treatment of the supplier non-gas cost portion of the 191 Account and gas management cost are described in paragraph 13.

12. Net Unit Commodity Cost. The net result of the changes in gas costs, summarized in paragraph 10, and the 191 Account amortization, discussed in paragraph 11, yields a unit commodity cost of $4.22228/Dth for sales customers, an increase of $0.20292/Dth (Exhibit 1.6, page 1, line 9).

13. 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

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

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 $115,275,751 (Exhibit 1.6, page 2, line 1).

(a) 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. In the Company's last pass-through filing (Docket No. 17-057-07), an amortization rate was established based on the balance in the SNG account at the end of March 2017. To keep this account balance within the parameters described above, the Company is proposing to continue amortizing the $4,714,987 under-collected portion of this balance established in the prior case using the forecasted volumes in this docket. The debit amortizations are shown in column F of Exhibit 1.6 page 3.

(b) 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 $287,915 was collected from transportation customers from April to August and included in the SNG balance used to calculate the debit amortizations shown in column F of Exhibit 1.6 page 3. The Company is submitting an application concurrently with this Application to review and update the charge based on the most recent 12 months of data. See Docket No. 17-057-21 for more information.

(c) Net Unit SNG Cost. Current rates, including the amortization, are estimated to recover $117,886,090 in supplier non-gas costs (Exhibit 1.6, page 2, line 4). Dominion Energy therefore proposes applying a uniform percentage increase of 1.79% to the firm supplier non-gas rates.

(d) The total SNG costs discussed in paragraph 13, combined with the 191 Account amortization, discussed in paragraph 13(b), yields the unit SNG costs shown in column G of Exhibit 1.6 page 3.

14. Change in Typical Customer's Bill. The annualized consolidated change in rates calculated in this Application is a 2.55% increase, or an increase of $17.74 per year for a typical GS residential customer using 80 dekatherms per year. The projected month-by-month changes in rates are shown in Exhibit 1.7.

15. 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 (Exhibit 1.8).

16. Combined Tariff Sheets. In addition to this pass-through application, Dominion Energy is concurrently filing the Transportation Imbalance Charge in Docket No. 17-057-21. This adjustment applies only to transportation customers and does not affect any of the rate schedules in this pass-through filing.

17. 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. 13-057-05.

18. <u>Exhibits.</u> Dominion Energy submits the following Exhibits in support of its request for an adjustment in its rates for natural gas service in Utah:

Exhibit 1.1	Test-Year Cost of Dominion Energy's Production
Exhibit 1.2	Test-Year Purchased Gas Costs
Exhibit 1.3	Test-Year Transportation, Gathering, Processing and Storage Charges
Exhibit 1.4	Summary of Test-Year Gas Related Costs and Revenues Credits
Exhibit 1.5	Test-Year Gas Cost Allocation
Exhibit 1.6	Test-Year Change in Gas Cost and Supplier Non-Gas Cost
Exhibit 1.7	Effect on GS Typical Customer
Exhibit 1.8	Legislative/Proposed Tariff Sheets
Exhibit 1.9	Dominion Energy Questar Pipeline, LLC FERC Tariff Schedules
Exhibit 1.10	Comparison of Gas Price Forecasts

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 $567,733,990 as adjusted in Exhibit 1.6 and as more fully set out in this Application and in Exhibit 1.8.

2. Authorize Dominion Energy to implement the revised rates effective November 1, 2017.

DATED the 2nd Day of October 2017.

Respectfully submitted,

DOMINION ENERGY UTAH

Jenniffer Nelson Clark

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

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 October 2, 2017:

Patricia E. Schmid
Justin C. Jetter
Assistant Attorney Generals
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@utah.gov
jjetter@utah.gov
Counsel for the Division of Public Utilities

Chris Parker
William Powell
Utah Division of Public Utilities
160 East 300 South
PO Box 146751
Salt Lake City, Utah 84114-6751
cparker@utah.gov
wpowell@utah.gov

Robert J. Moore
Steven Snarr
Assistant Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
rmoore@utah.gov
ssnar@utah.gov
Counsel for the Office of Consumer Services

Michele Beck
Director
Office of Consumer Services
160 East 300 South
PO Box 146782
Salt Lake City, UT 84114-6782
mbeck@utah.gov

Ginger Johnson