

- 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	<u>DOCKET NO. 20-057-07</u>
Application of Dominion Energy Utah for an Adjustment to the Daily Transportation Imbalance Charge	<u>DOCKET NO. 20-057-08</u> <u>ORDER</u>

ISSUED: May 29, 2020

SYNOPSIS

The Public Service Commission (PSC) approves the rate applications in these dockets, effective June 1, 2020, as set forth below:

- i. Approval of the application in Docket No. 20-057-07 (“Pass-Through Application”) on an interim basis results in a decrease of approximately \$8.27, or 1.28 percent, for a typical residential customer using 80 Dth of natural gas per year;
- ii. Approval of the application in Docket No. 20-057-08 (“Daily TIC Application”) on an interim basis results in a decrease to the Daily Transportation Imbalance Charge (“TIC”) from \$0.08489 to \$0.07834 per Dth for daily imbalance volumes outside of the five percent tolerance for transportation customers.

BACKGROUND

On May 1, 2020, Dominion Energy Utah (DEU), filed applications in the dockets referenced above, which propose rate changes, effective June 1, 2020.

On May 11, 2020, the PSC issued a scheduling order and a notice of telephonic hearing for these dockets. On May 19, 2020, the Division of Public Utilities (DPU) filed comments in each docket. No other party filed comments in these dockets.

On May 26, 2020, the PSC’s designated Presiding Officer conducted a hearing to consider the applications; the PSC heard from DEU and DPU, represented by their respective

counsel. The applications and supporting evidence are uncontested, and briefly summarized below.

DISCUSSION

Docket No. 20-057-07: Pass-Through Application

DEU's Pass-Through Application proposes an overall decrease of \$10.491 million in rates and charges for natural gas service related to DEU's Account 191.1 of the Uniform System of Accounts, Unrecovered Purchased Gas Costs ("191 Account"), consisting of a \$9.171 million decrease in the commodity portion of rates plus a \$1.320 million decrease in the supplier non-gas (SNG) portion of rates.¹ As discussed below, the decrease in the commodity portion of rates reflects both a gas cost decrease and a new tax reform surcredit proposed in this docket. The Pass-Through Application also includes a new SNG Adder for customers taking service under the Transportation Bypass Firm and Transportation Service Rate Schedules, as approved by the PSC in Docket No. 19-057-02 ("2019 General Rate Case"), pertaining to peak hour contract costs.² The application is based on projected Utah gas-related costs of \$428.382 million for the forecast test year ending May 31, 2021 ("Test Year").³

¹ At hearing, DEU witness Jessica Ipson testified the \$10.891 million overall decrease in rates and charges presented in the Application was made in typographical error. Ms. Ipson corrected her testimony to reflect a \$10.491 million overall decrease in rates and charges, which was corroborated by DPU witnesses.

² See *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications* (Report and Order dated February 25, 2020 at 43-44); Docket No. 19-057-02.

³ See DEU Ex. 1.1 pg. 2, line 17.

The Pass-Through Application Seeks an Approximate \$0.08 Decrease per Dekatherm in the Commodity Component of Rates.

DEU's proposed "Total Commodity Rate" is the sum of the "Base Gas Cost" rate, the "191 Amortization" rate, and Tax Reform Surcredit 4. According to the Pass-Through Application, DEU forecasts a Base Gas Cost of \$342.842 million. However, Base Gas Cost revenues collected at currently effective rates⁴ will collect \$350.929 million. Accordingly, DEU proposes to adjust the commodity rate to reflect the decrease in Base Gas Cost of \$8.088 million.

DEU reports, at the end of March 2020, a \$19.711 million under-collected balance in the commodity amortization portion of the 191 Account.⁵ DEU proposes to keep the current 191 Account amortization rate of \$0.43865 unchanged until DEU files its Pass-Through Application in the Fall of 2020 for two reasons: "[f]irst, the commodity portion of the 191 [A]ccount 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 [A]ccount typically moves toward under-collection during the summer months. This under-collection is caused by the current price differential between [DEU]-owned supplies (used during the summer months) and the annual weighted average cost of gas ... that is charged to customers during these months."⁶

The Pass-Through Application also proposes a new Tax Reform Surcredit 4 associated with the commodity portion of rates. DEU states it has been recording the difference in timing

⁴ See *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 18-057-14.

⁵ See DEU Ex. 1.5 pg. 1, fn. 2.

⁶ Pass-Through Application at 7-8; 191 Account debit amortization of \$0.43865 shown in Pass-Through Application Ex. 1.5, pg. 1, line 8, column (D).

between when it pays for commodity supplies against when DEU receives cost recovery due to the Tax Cuts and Jobs Act of 2017 (TCJA) and indicates a balance of \$1.083 million related to unprotected EDIT attendant to its Purchase Gas Agreement. DEU proposes to amortize this balance over the period of one year beginning June 1, 2020⁷ as Tax Reform Surcredit 4, which will be established as a credit amortization of \$0.00972 per Dth.⁸ At the hearing, DEU proposed that any requisite true-up attendant to administering the Tax Reform Surcredit 4 should occur automatically given the nature of the 191 Account balancing mechanism, which will be subject to DPU's forthcoming 191 Account audit in this docket.

DEU's requested \$9.171 million total commodity decrease is the sum of the following components: \$8.088 million commodity cost decrease and \$1.083 million related to the Tax Reform Surcredit 4 (and no alteration to the 191 Account balance amortization rate). As a result, this Pass-Through Application proposes a unit commodity cost of \$3.50521/Dth for sales customers, a decrease of \$0.08229/Dth:⁹

	<u>Current Commodity Rate per Dth</u>	<u>Proposed Commodity Rate per Dth</u>
Base Gas Cost	\$3.14885	\$3.07628
191 Amortization Rate	\$0.43865	\$0.43865
<u>Tax Reform Surcredit 4</u>	<i>not applicable</i>	<u>(\$0.00972)</u>
Total Commodity Rate	\$3.58750	\$3.50521

⁷ Pass-Through Application, Ex. 1.5 pg. 1, fn. 3.

⁸ *Id.* at Ex. 1.5, pg. 1, line 9, column (D).

⁹ *Id.* at Ex. 1.5, pg. 1, line 10.

The Pass-Through Application Seeks a \$1.320 Million Decrease in the Total Revenue to be Collected in SNG Rates During the Test Year.

DEU's Total SNG Costs are the sum of the forecast SNG costs and the current SNG 191 Account balance. As of the end of March 2020 in this case, DEU reports an over-collected balance of \$13.038 million in the SNG 191 Account. DEU states that due to recent changes in the definitions of commodity and SNG costs approved in Docket No. 19-057-T01,¹⁰ it is now estimated that the SNG balance should vary between a \$14 million over-collection in the spring and a commensurate \$14 million under-collection in the fall.¹¹ To keep this account balance within the recommended +/- \$14 million balancing targets, DEU proposes to amortize the \$0.962 million difference between the \$14 million over-collection target and the \$13.038 million March 2020 over-collected SNG balance. Given DEU's forecast SNG gas costs of \$85.540 million and the proposed \$0.962 million SNG 191 Account balance amortization amount, the Total SNG gas costs equals \$86.502 million. At current SNG base rates, however, DEU will collect \$87.822 million. The resulting gap between Total SNG Costs and annual revenues collected at current rates constitutes the \$1.320 million decrease in total SNG costs DEU proposes to adjust through this Pass-Through Application. In this case, consistent with our 2019 General Rate Case order,

¹⁰ *Application of Dominion Energy Utah for Approval of Modifications to Tariff Section 2.06* (Order Approving Dominion Energy Utah's Modifications to Tariff Section 2.06 dated May 9, 2019); Docket No. 19-057-T01.

¹¹ Through amortization and consistent with our Report and Order in Docket No. 11-057-08, DEU states it has been managing the GS/FS customer winter rate differential of the SNG portion of the 191 Account balance to effect a \$20 million spring over-collection and a commensurate \$20 million fall under-collection as balancing targets in order to minimize interest expense. See *In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 11-057-08, Report and Order (dated September 30, 2011) at 2-3.

DEU has created and included a new *SNG Adder* rate to collect from transportation customers costs associated with peak hour contracts. The proposed SNG rates are as follows:¹²

	<u>Current SNG Rate per Dth</u>	<u>Proposed SNG Rate per Dth</u>
GS Rate Schedule		
Summer Blocks 1 and 2 ¹³		
SNG Base Rate	\$0.42320	\$0.38154
<u>SNG Amortization Rate</u>	<u>\$0.01216</u>	<u>\$0.00429</u>
Total	\$0.43536	\$0.38583
Winter Blocks 1 and 2		
SNG Base Rate	\$0.90136	\$0.90846
<u>SNG Amortization Rate</u>	<u>\$0.02590</u>	<u>\$0.01022</u>
Total	\$0.92726	\$0.91868
FS Rate Schedule		
Summer Blocks 1, 2, and 3		
SNG Base Rate	\$0.42320	\$0.75764
<u>SNG Amortization Rate</u>	<u>\$0.01216</u>	<u>\$0.00852</u>
Total	\$0.43536	\$0.76616
Winter Blocks 1, 2, and 3		
SNG Base Rate	\$0.87789	\$0.87936
<u>SNG Amortization Rate</u>	<u>\$0.02523</u>	<u>\$0.00989</u>
Total	\$0.90312	\$0.88925
NGV Rate Schedule		
SNG Base Rate	\$0.65043	\$0.76995
<u>SNG Amortization Rate</u>	<u>\$0.01870</u>	<u>\$0.00866</u>
Total	\$0.66913	\$0.77861
IS Rate Schedule		
Blocks 1, 2, and 3		
SNG Base Rate	\$0.17907	\$0.17898
<u>SNG Amortization Rate</u>	<u>not applicable</u>	<u>not applicable</u>
Total	\$0.17907	\$0.17898

¹² See Pass-Through Application, Ex. 1.5 pg. 6, lines 5 through 28, columns (A) and (B).

¹³ The GS Block 1 rate is applicable to the first 45 Dth and Block 2 is applicable to usage greater than 45 Dth. Pass-Through Application, Ex. 1.6.

	<u>Current SNG Rate</u>	<u>Proposed SNG Rate</u>
Transportation Bypass Firm Service Rate Schedule (TBF)		
SNG Annual Adder --		
<u>Firm Demand Charge per Dth</u>	<i>not applicable</i>	<u>\$1.05573</u>
Transportation Service Rate Schedule (TSF and TSI)		
SNG Annual Adder --		
<u>Firm Demand Charge per Dth TSF</u>	<i>not applicable</i>	<u>\$1.67911</u>

(Pass-Through Application, Ex. 1.5, pg. 6.)

DPU Supports the Pass-Through Application.

DPU states the combination of the change in gas cost, the change in the amortization rate, and Tax Reform Surcredit 4 results in a decrease in the commodity cost. The net impact is a change from \$3.588 to the proposed rate of \$3.505 per Dth, or a decrease of \$0.082 per Dth, and DPU states it will continue to monitor the balance in the 191 Account monthly. DPU notes that in the current filing, the Wexpro cost-of-service (COS) gas has increased to \$3.96 compared to \$3.83 per Dth in the previous filing, and purchased gas has decreased to \$2.07 compared to \$2.11 per Dth. DPU states that “while the price of [COS] production [gas] has gradually decreased over the last several years, the market price continues to be significantly lower than the Wexpro [COS] production [gas]. [DEU] has not indicated when it anticipates the [COS] [gas] price to be comparable with market purchases.”¹⁴

DPU calculates a typical GS customer consuming 80 Dth per year will see an annual rate decrease of \$8.27, or 1.28 percent. DPU states the proposed changes are in the public interest,

¹⁴ DPU Comments at 9.

represent just and reasonable rates for Utah customers,¹⁵ and recommends they be approved on an interim basis effective June 1, 2020, subject to DPU audit.

Docket No. 20-057-08: Daily Transportation Imbalance Charge Application

The PSC approved a Daily TIC in Docket No. 14-057-31.¹⁶ The rate is applicable to transportation customers taking service under DEU's MT, TSF/TSI, and TBF rate schedules. Since February 2016, DEU has assessed this charge, which is required to be recalculated as part of the Pass-Through Application addressed above. This Daily TIC Application proposes to decrease the Daily TIC from \$0.08489 to \$0.07834 per Dth for daily imbalance volumes outside of a five percent tolerance for transportation customers, using historical data for the twelve months ending March 31, 2020.¹⁷

DPU Supports the Daily TIC Application.

DPU states the current imbalance charge has been in place since 2016, and the accuracy of the nomination process and the impact of transportation customers on DEU's distribution system continues to be a concern – while it does appear the nominations have become more accurate since this rate was imposed, DPU indicates that several individual customers with gas nominations still fall outside the acceptable range. DPU noted that: (1) DEU's 94 largest transportation customers, which use 80 percent of the transportation gas volumes, account for 60 percent of the total volumetric Dths outside the tolerance limit; (2) conversely, the smaller

¹⁵ See *id.* at 13.

¹⁶ *In the Matter of the Application of Questar Gas Company to Make Tariff Modifications to Charge Transportation Customers for Use of Supplier-Non-Gas Services*, Docket No. 14-057-31, Order issued November 9, 2015.

¹⁷ Dominion Energy Utah Natural Gas Tariff PSCU 500, Section 5, Transportation Service, defines “‘Daily imbalance’ . . . [as] the difference between the customer’s scheduled quantities, less fuel, and the customer’s actual usage on any given day[.]”

customers (which represent the remaining 20 percent of the total transportation gas volumes) paid the remaining 40 percent of the total Dth outside the tolerance limit, and (3) most of the daily nominations for transportation customers are made through marketing companies and not all companies have the same level of accuracy with the daily nomination process. DPU states it will continue to analyze the historical gas nominations and will make any necessary recommendations. Because credits from TS customers flow through the 191 Account, DPU recommends approving the change to the TIC rate on an interim basis until its audit of the 191 Account is complete. DPU testified the requested changes are in the public interest.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based on DEU's applications and exhibits, DPU's comments and recommendations, the testimony and evidence presented at the combined hearing, and there being no opposition from any party, we find that substantial evidence exists to conclude that the rates proposed in Docket Nos. 20-057-07 and 20-057-08 are just, reasonable, and in the public interest.

ORDER

Therefore, we approve:

- 1) the Pass-Through and the Daily TIC Applications, and the rates proposed therein, on an interim basis, effective June 1, 2020, pending the results of DPU's forthcoming audits;
- 2) the modifications to DEU's Utah Natural Gas Tariff PSCU 500 Pages 2-2 through 2-6, 4-3, 4-4, and 5-6 through 5-11.

DATED at Salt Lake City, Utah, May 29, 2020.

/s/ Yvonne R. Hogle
Presiding Officer

Approved and confirmed May 29, 2020, as the Order of the Public Service Commission
of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#314050

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 written 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 29, 2020, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Email:

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