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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: July 28, 2020

Re: **Docket No. 20-057-12**, In the Matter of the Application of Dominion Energy Utah for Approval of a Special Contract with the City of Blanding

Recommendation (Approve)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve Dominion Energy Utah (Dominion)'s request for a special contract with the city of Blanding (Agreement).

Issue

Dominion and the city of Blanding both receive natural gas from Williams NW Pipeline at a common delivery point. Each transport their volumes through their respective pipelines to the cities they serve. These pipes run roughly parallel and are both one-way feeds from the same interstate pipeline.

The proposed Agreement provides Blanding (which has its own municipal natural gas distribution service) with the ability to transport on Dominion's pipe at times when the Blanding-owned pipes are undergoing maintenance or repairs.

Although Dominion plans to charge Blanding the MT rate for this service, it is proposing to waive the Administrative charges and Basic Service Fees which are part of the MT service tariff rate. Unlike most business contracts, Dominion needs a Commission Order approving this Agreement since this will deviate from the approved tariff rate.

Background

On June 22, 2020, Dominion filed an application for approval of a special contract with the city of Blanding. Also on June 22, 2020 the Commission issued its Action Request to the Division directing it to review the application and make recommendations by July 22, 2020. On June 24, 2020 the Commission issued its Notice of Telephonic Scheduling Conference to be held on July 2, 2020. On July 6, 2020 the Commission issued its Scheduling Order stating that parties are to file comments by August 7, 2020 with reply comments due on or before August 17, 2020 and a hearing, if needed, to be on August 24, 2020. The Commission's Scheduling Order superseded the original Action Request Response date moving it from July 22, 2020 to August 7, 2020. This memorandum is the Division's response to the Action Request and its initial comments.

Discussion

Dominion is requesting the Commission approve a proposed special contract with the city of Blanding (in practicality it is an adjusted MT rate) to supply Blanding with natural gas using Dominion's feeder line during emergency or scheduled maintenance situations. This is the basis for the contract which is called an Agreement for Municipal Transportation Service to Blanding, Utah. It was entered into between the city of Blanding and Dominion on May 21, 2020 and includes a modified version of the Municipal Transportation (MT) rate. Dominion has previously had a similar contract with Blanding as part of its 2001 purchase of Utah Gas Service Company (Utah Gas). That being said, according to Dominion testimony, to the best of either Dominion's or Blanding's knowledge, the terms of the contract was never used. Also, according to Dominion witness Mr. Summers both parties were "unaware that it existed." Conditions have changed since that time and Dominion no longer uses transportation service from Blanding as it did when it purchased Utah Gas. However, Blanding may, on occasion, have need to transport on Dominion's line. The closest tariffed service already in place for Dominion was to offer the

Municipal Transportation (MT) rate (with some modifications). The discussions between Blanding and Dominion resulted in an agreement to base the contract amount on the MT volumetric rate, as set forth in the MT tariff, for volumes that are transported. However, since Dominion expects Blanding to utilize the contract very rarely it proposes that, "it doesn't make sense to charge Blanding for the Basic Service Fee ("BSF") or the Administrative Charge." The basis for that alteration is the premise that since this customers is not causing any of the monthly costs, it should not pay be required to pay for them. In essence these exceptions to the MT tariff are the basis for what requires Commission approval in this case.

There is also a reciprocal benefit to the agreement where Dominion will be allowed to transport on Blanding's line when necessary. When/if this happens Dominion will buy the natural gas from Blanding's supplier and have it delivered, with all the transportation costs already included in the price. No additional transportation costs would be paid to Blanding.

On Dominion's line there will not be plant additions required to allow the pipe to be used in this manner. In summary, approval of this contract may benefit Blanding and Dominion with no additional costs to Dominion or its ratepayers.

Conclusion

The Division has reviewed Dominion's application and has determined that approval of the Blanding Agreement would be in the public interest, is just and reasonable, and provides benefits to Blanding without foisting Dominion with additional costs. Therefore, the Division recommends Commission approval.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services