- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Dominion Energy Utah for Approval of a Special Contract with the City of Blanding	DOCKET NO. 20-057-12 ORDER

ISSUED: September 10, 2020

PROCEDURAL HISTORY

On June 22, 2020, Dominion Energy Utah (DEU) filed an application ("Application") with the Public Service Commission (PSC) seeking approval of an Agreement for Municipal Transportation (MT) Service to Blanding, Utah between DEU and the City of Blanding ("Blanding"), dated May 21, 2020 ("2020 Agreement"). On July 6, 2020, the PSC issued a scheduling order ("Scheduling Order"). On July 28, 2020, the Division of Public Utilities (DPU) filed comments in support of the Application and 2020 Agreement.

Pursuant to the Scheduling Order, on August 17, 2020, DPU filed reply comments stating that the August 24, 2020 hearing scheduled in this docket was not necessary and recommended the PSC cancel the hearing. On August 19, 2020, the PSC issued an order canceling the hearing. No other party filed comments or reply comments.

BACKGROUND

On November 1, 1995, Blanding executed an agreement with Utah Gas Service Company ("UGSC") for mutual transportation of natural gas across Blanding's and UGSC's pipelines ("1995 Agreement").[1] The 1995 Agreement provided that either UGSC or Blanding would allow the other party use of its natural gas facilities in case of an emergency or scheduled maintenance.

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[1] *See* DEU Exhibit 1.05.

In 2001, the PSC approved DEU's (then Questar Gas Company) acquisition of UGSC.[2] DEU now seeks to replace the 1995 Agreement with the 2020 Agreement because DEU proposes to waive certain charges that it would typically charge other MT customers. In addition, DEU states that no DEU or Blanding personnel have any memory of either party transporting gas pursuant to the 1995 Agreement. Thus, DEU and Blanding prefer to supersede the 1995 Agreement with the simpler terms of the 2020 Agreement. DEU further maintains that because it is now able to purchase supplies at its meter, the more complicated 1995 Agreement is no longer necessary.

DISCUSSION, FINDINGS, AND CONCLUSIONS

a. The 2020 Agreement and Tariff 500.

Under the 2020 Agreement, DEU will provide Blanding service "in cases of emergency, scheduled maintenance,"[3] or similar instances, under a modified version of DEU's MT rate schedule described in DEU's Utah Natural Gas Tariff No. 500 ("Tariff 500"). The 2020 Agreement waives the Administrative Charge (AC) and the MT Monthly Basic Service Fee (BSF) to Blanding, but Blanding is subject to all other Tariff 500 provisions applicable to MT service. The BSF that is paid by most other MT customers is intended to cover fixed costs, the largest component of which is the return on investment in meters, service lines, and mains. The BSF also includes costs for billing, meter reading, and property taxes. The AC covers costs associated with transporting natural gas such as time of the employees who manage gas nominations and transportation contracts. It also includes costs associated with managing imbalances and maintaining telemetry equipment.

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[2] *See* DEU Exhibit 1.04.

[3] 2020 Agreement at 1, ¶ 2.

b. Testimony and Comments in Support of 2020 Agreement.

DEU states that it does not make sense to charge Blanding the BSF or the AC because Blanding will use the contract "very infrequently." According to DEU, Blanding will not, on a monthly basis, use DEU plant, nominate gas, receive a bill, or use other services that the monthly BSF and AC are designed to collect. DEU asserts that under the principle of cost causation, Blanding is not causing any of the monthly costs and should therefore not be required to pay for them. DEU further states it will receive a reciprocal benefit from Blanding that does not require PSC approval. DEU explains that if it needs to transport natural gas on the Blanding line, it will buy the natural gas from Blanding's supplier and have it delivered to DEU's meter. In this case the commodity price will include transportation costs and therefore no transportation costs will be paid to Blanding. DEU also states it will not need to build additional plant to accommodate the 2020 Agreement.

According to DEU, the 2020 Agreement memorializes a practical and inexpensive solution to an infrequent problem, will not result in any additional cost to DEU, and will ensure that Utahns continue to receive safe and reliable service. For these reasons DEU believes approval of the 2020 Agreement is just, reasonable, and in the public interest.

DPU recommends the PSC approve the 2020 Agreement and its included waiver of the BSF and AC, asserting that the 2020 Agreement will benefit Blanding and DEU without imposing additional costs on DEU or its customers. DPU notes that under the 2020 Agreement, Blanding will be able to transport gas through DEU's facilities when necessary, and DEU will be able to transport gas on Blanding's lines by buying gas directly from Blanding's supplier, paying

Blanding no additional transportation costs. For these reasons, DPU states that approving the 2020 Agreement is in the public interest and is just and reasonable.

c. Findings of Fact and Conclusions of Law.

Utah Code Ann. § 54-3-7 generally prohibits a public utility from charging a customer a rate for a particular product or service other than that identified in its tariff schedules, unless the PSC, "by rule or order," establishes "exceptions from the operation of [the] prohibition as it may consider just and reasonable."

DEU asserts, and DPU agrees, that approving the 2020 Agreement will benefit Blanding and DEU without creating additional costs for Utah customers. DEU further asserts that waiving the BSF and AC is appropriate in this case based on cost causation principles.

We find that, unlike other MT customers, Blanding will not, on a monthly basis, use DEU plant, nominate gas, receive a bill, or use other services that the monthly BSF and AC are designed to collect. Blanding will only infrequently, if ever, impose costs typically covered by the BSF and AC. This is evident in that, as DEU testified, since 2001, when the PSC approved Questar Gas Company's purchase of UGSC and the related assignment of the 1995 Agreement, Blanding has never availed itself of the 1995 Agreement for MT service.[4] We conclude that under these circumstances, the disparate treatment between Blanding and other MT customers by waiving the BSF and AC fees for Blanding, is reasonable. In addition, we conclude that since approval of the 2020 Agreement will not create additional costs for DEU's other customers, this weighs in favor of finding that the 2020 Agreement is just and reasonable. We find these

[4] *See* Direct Testimony of A. Summers, at 2:30-42.

differences justify and warrant the different billing arrangement for Blanding under the 2020 Agreement that DEU entered into, and which DPU supports. Based on these findings, we conclude that the 2020 Agreement is just and reasonable, and does not violate Utah Code Ann. § 54-3-7.

We acknowledge the possibility that the 2020 Agreement could create additional costs for customers if Blanding were to begin using MT service frequently. The 2020 Agreement, however, only contemplates "occasional, not continuing,"[5] service, and allows only for service "in cases of emergency, scheduled maintenance, or other events or occasions when Blanding's own facilities cannot provide sufficient service for Blanding to provide natural gas service to its residents."[6] We therefore find the possibility is remote that Blanding uses service under the 2020 Agreement frequently enough to impose costs on DEU or its customers.

Based on our review of the Application, the filed testimony and comments, the parties' agreement that the 2020 Agreement should be approved, and on our findings above, and there being no opposition, we find that the terms of the 2020 Agreement are just and reasonable, and approve the 2020 Agreement as being in the public interest.

ORDER

The Agreement for Municipal Transportation Service to Blanding, Utah dated May 21, 2020 is approved.

[5] 2020 Agreement at 1, ¶ 2.
[6] *Id.*

DATED at Salt Lake City, Utah, September 10, 2020.

/s/ Yvonne R. Hogle
Presiding Officer

Approved and Confirmed September 10, 2020, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#315382

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 30 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 September 10, 2020, a true and correct copy of the foregoing was served upon the following as indicated below:

By Email:

Kelly Mendenhall (kelly.mendenhall@dominionenergy.com)
Austin Summers (austin.summers@dominionenergy.com)
Jenniffer Clark (jenniffer.clark@dominionenergy.com)
Dominion Energy Utah

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Victor Copeland (vcopeland@agutah.gov)
Assistant Utah Attorneys General

Madison Galt (mgalt@utah.gov)
Division of Public Utilities

Alyson Anderson (akanderson@utah.gov)
Bela Vastag (bvastag@utah.gov)
Alex Ware (aware@utah.gov)
ocs@utah.gov
Office of Consumer Services

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Administrative Assistant