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Department of Commerce Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

Date: October 19, 2021

Re: **Docket No. 21-057-18**, Application for an Adjustment to the Daily Transportation Imbalance Charge.

Recommendation (Approval)

After a review of the application, the Division of Public Utilities (Division) finds the proposed rates to be reasonable and in the public interest and recommends the Public Service Commission of Utah (Commission) approve, on an interim basis, the rates as proposed by Dominion Energy Utah.

This approval applies to the requested rate changes in Docket No. 21-057-18 (Daily Transportation Imbalance Charge) with an effective date of November 1, 2021.

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Issue

On October 1, 2021, Dominion Energy Utah (Dominion or Company) filed the application identified above and the Commission subsequently issued an Action Request to the Division. The Company's application requests an approximate 9.8% increase in the daily transportation imbalance charge. The Commission directed the Division to review the application and provide recommendations. On October 5, 2021, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated October 6, 2021, established October 19, 2021 as the date the Division and other parties would file comments.

Background

The Daily Transportation Imbalance Charge filing is a request to adjust the imbalance charge calculation that was originally approved in Docket No. 14-057-31. Consistent with that docket, the transportation imbalance charge began in February 2016 with a recalculation twice each year as part of the 191 pass-through filings. The revised calculation is based on updated volumes through August 31, 2021. If approved, the proposed rate would increase from \$0.07575 to the proposed rate of \$0.08316. This rate applies to transportation customers with daily imbalance volumes outside the $\pm 5\%$ tolerance level.

Discussion

In Docket No. 14-057-31, the Commission approved a supplier non-gas charge to transportation customers for daily nomination imbalance volumes that were outside of a $\pm 5\%$ daily tolerance threshold. This rate applies to transportation customers that were taking service under MT, TS, and FT-1 rate schedules and any amount collected under the rate is credited to GS customers through the 191 account. The rate is intended to charge transportation customers for SNG services when used and was implemented in part to improve the daily accuracy of the gas nomination process. The Commission order specified this rate must be reviewed with each pass-through docket and in the next general rate case.

The Company began to impose the imbalance charge as of February 1, 2016. This rate applies to transportation customers only if their individual daily gas nomination amount is outside the $\pm 5\%$

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daily tolerance limit. Only customer nominations outside the tolerance limit are assessed this charge and the specific dollar amount paid by all transportation customers is identified as a separate line item in the monthly 191 financial information.

The proposed new rate of \$0.08316 per Dth is a 9.8% increase from the current rate of \$0.07575 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended August 31, 2021. The Division continues to review Exhibit 1.1, which includes the daily nomination and imbalance information for 1,106 transportation customers, 808 distinct customers and includes 419,990 lines of information. The accuracy of the nomination process and the impact of transportation customers on the Company's distribution system continues to be a concern.

While it does appear that the nominations have become more accurate since this rate was imposed, a number of individual customers with gas nominations still fall outside the acceptable range. There is also a large variation in the size of customers using the transportation rate. In response to a data request, the Company provided additional information to include the marketing agents for each contract number. In reviewing the information from Exhibit 1.1, the Division noted the following.

1. The 20 largest customers' use 56% of the total transportation volume and 80% of the volume is attributed to 98 of the largest distinct customers. While these large customers account for 80% of the total volume, they represent 61% of the total Dth outside the tolerance limit. The majority of the large use customers continue to be more accurate with the daily nomination process and could potentially have the most impact on the distribution system if their nominations were not accurate.
2. The remaining 710 distinct customers represent only 20% of the total volume and individually will have a lesser impact on the distribution system. While these smaller customers represent only 20% of the total volume, they have paid a larger portion of the penalty and represent 39% of the total Dth outside the tolerance limit. Many of the smaller transportation customers appear to be using natural gas primarily for seasonal heating.

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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. [REDACTED]

The Division has reviewed the calculation and the information provided by the Company but has not completed an audit of the individual entries and the credits to the 191 account. The Division will continue to analyze the historical nominations and will make recommendations if necessary.

Effect on TS Customers

The proposed change has the potential to affect transportation customers, but the effect will not be the same for each customer. As mentioned above, this rate applies to a transportation customer only when its individual daily gas nominations are outside the $\pm 5\%$ tolerance limits. The imbalance charge may apply to some customers on a regular basis while others may occasionally be affected, depending on the accuracy of the customer's daily nomination process. This rate also has a related effect on GS customers as the imbalance charge collected from TS customers is credited to the 191 account. All amounts collected under this rate are credited to the SNG collection amount and would likely have a minor impact on the balance of the over or under collection in the 191 account for GS customers.

Conclusion

The Division has reviewed the application and recommends the Commission approve the proposed rates on an interim basis with an effective date of November 1, 2021. The proposed changes are in the public interest and represent just and reasonable rates for Utah customers.

Cc: Kelly Mendenhall, Dominion Energy Utah
Austin Summers, Dominion Energy Utah
Jessica Ipson, Dominion Energy Utah
Michele Beck, Office of Consumer Services