

- 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. 21-057-28</u>
Application of Dominion Energy Utah for an Adjustment to the Daily Transportation Imbalance Charge	<u>DOCKET NO. 21-057-29</u> <u>ORDER</u>

ISSUED: December 27, 2021

**SYNOPSIS**

The Public Service Commission (PSC) approves the two applications (“Applications”) Dominion Energy Utah (DEU) filed in the referenced dockets (“Dockets”) on an interim basis, subject to audit, effective January 1, 2022. Our approval results in an average net increase of \$1.68 or 2.63 percent to the monthly bill of a typical GS residential customer using 80 decatherms (Dth) of natural gas per year.

**PROCEDURAL BACKGROUND**

DEU filed the Applications on December 1, 2021. Each application proposes discrete rate changes and modifications to DEU’s PSCU Tariff No. 500, effective January 1, 2022.

On December 6, 2021, the PSC held a virtual consolidated scheduling conference and issued a Scheduling Order and Notice of Virtual Hearing for the Dockets. On December 16, 2021, DPU filed comments and recommendations<sup>1</sup> regarding the Application and no other party petitioned to intervene or filed comments.

On December 22, 2021, the PSC held a virtual consolidated hearing in the Dockets to consider each of the applications, during which DEU and DPU provided testimony.

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<sup>1</sup> Comments from the Division of Public Utilities filed December 16, 2021 (“DPU Comments”).

**FACTUAL BACKGROUND**

Docket No. 21-057-28: 191 Account Application

DEU's Pass-Through 191 Account Application in Docket No. 21-057-28 ("191 Account Application") proposes an increase of \$28,885,223 in DEU's Utah natural gas rates related to DEU's Account 191.1 of the Uniform System of Accounts, Unrecovered Purchased Gas Costs ("191 Account").<sup>2</sup> The 191 Account Application states DEU's request is based on projected Utah gas-related costs of approximately \$615.390 million for the forecast test year ending December 31, 2022 ("Test Year"). This represents an overall increase of approximately \$28.885 million, reflecting a projected \$28.315 million increase in commodity costs and a projected \$0.570 million increase in supplier non-gas (SNG) costs.

*The 191 Account Application Seeks an Increase of Approximately \$0.25 per Dth in the Commodity Component of Rates.*

The 191 Account Application proposes to increase DEU's total commodity rate from \$4.94 per Dth to \$5.19 per Dth.<sup>3</sup> DEU's proposed commodity rate represents approximately \$529.090 million of Test-Year commodity gas costs compared to approximately \$508.768 million<sup>4</sup> of commodity gas costs forecasted to be recovered at existing rates. DEU's proposed commodity rate also includes amortization of an under-collected commodity portion of the 191

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<sup>2</sup> See DEU's Utah Natural Gas Tariff PSCU 500 at 2-1 to 2-9. As the PSC recognized in an earlier docket, "[t]he 191 Account's purpose is to allow [DEU] to recover, on a dollar-for-dollar basis, the difference between projected gas costs and the actual costs [DEU] incurs to purchase gas. In addition to commodity gas costs, the 191 Account also tracks certain 'supplier non-gas costs' ... which are costs associated with gathering, processing, transporting[,] and storing gas." *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. 16-057-05, Order Memorializing Bench Rulings issued July 11, 2016 at 2.

<sup>3</sup> 191 Account Application, Ex. 1.5, p.1.

<sup>4</sup> \$508.768 million was calculated by multiplying Utah's projected total sales in Dths by the gas cost rates set in the previous pass-through case, Docket No. 21-057-17.

Account balance of approximately \$65.306 million as of October 31, 2021, which DEU proposes to amortize at approximately \$0.57 per Dth. The combination of those two rate components is shown below:

	<b><u>Current Commodity Rate per Dth</u></b>	<b><u>Proposed Commodity Rate per Dth</u></b>	<b><u>Difference</u></b>
Gas Costs	\$4.44217	\$4.61960	\$0.17743
191 Amortization Rate	<u>\$0.50038</u>	<u>\$0.57020</u>	<u>\$0.06982</u>
<b>Total Commodity Rate</b>	<b>\$4.94255</b>	<b>\$5.18980</b>	<b>\$0.24725</b>

DEU states that the commodity rate increase is due to higher forecasted gas costs for the Test Year compared to base commodity gas costs, and that the under-collected commodity balance in the 191 Account is caused entirely by high purchased gas costs DEU incurred during an extreme weather event in Texas in February of 2021, which in turn led to high demand for natural gas in Wyoming and high natural gas spot prices.

*The 191 Account Application Seeks a Credit of \$0.37839 per Dth Applicable to the Natural Gas Vehicle (NGV) Commodity Rate.*

In response to our October 30, 2020 Order in Docket No. 20-057-14, DEU states it is now accounting for Renewable Information Number (RIN) proceeds by amortizing the proceeds and returning them to NGV customers as a credit, rather than recognizing the credit through the 191 Account commodity rate component.<sup>5</sup> DEU proposes to amortize total RIN proceeds of \$76,569 over the Test Year through a credit against the commodity rate for NGV customers of \$0.37839 per Dth.<sup>6</sup> The current and proposed rates are shown below:

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<sup>5</sup> See *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 20-057-14, Order, at 15, where we “encourage[d] DEU to continue to evaluate other methods to more transparently account for the NGV RIN credit in the 191 Account model.”

<sup>6</sup> See 191 Account Application, ¶ 17.

	<b>Current NGV <u>Rate per Dth</u></b>	<b>Proposed NGV <u>Rate per Dth</u></b>	<b><u>Difference</u></b>
Gas Costs	\$4.44217	\$4.61960	\$0.17743
191 Amortization Rate	\$0.50038	\$0.57020	\$0.06982
RIN Credit	<u>\$(0.36648)</u>	<u>\$(0.37839)</u>	<u>\$(0.01191)</u>
<b>Total Commodity Rate</b>	<b>\$4.57607</b>	<b>\$4.81141</b>	<b>\$0.23534</b>

*The 191 Account Application Seeks a \$0.712 Million Increase in Total Revenue Collections Tied to SNG Rates During the Test Year.*

DEU calculates total test-year SNG costs as the sum of base test-year SNG costs and the SNG component of the current 191 Account balance. DEU calculates base test-year SNG costs of approximately \$86.300 million, an increase from the approximately \$85.197 million of base test-year SNG costs calculated in Docket No. 21-057-17. At current SNG rates, DEU estimates it would recover approximately \$85.588 million. DEU proposes to continue amortizing the \$5.373 million under-collected portion of the current 191 Account balance that was established in Docket No. 21-057-11, creating a total of \$91.673 million in test-year SNG costs,<sup>7</sup> compared to the \$90.961 million in SNG costs that would be recovered at current rates. DEU proposes to maintain that amortization rate to keep the SNG component of the 191 Account balance within an over- and under-collected range of no more than positive or negative \$14 million.<sup>8</sup> DEU's forecast results in a proposed SNG cost increase of approximately \$0.712 million, resulting in the rate changes shown below:<sup>9</sup>

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<sup>7</sup> *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 21-057-11, DEU Exhibit 1.5, at 2.

<sup>8</sup> This amount is changed from DEU's previous goal of maintaining the account within a range of \$20 million over- or under-collected due to changes in the definitions of SNG costs, which the PSC approved in *Application of Dominion Energy Utah for Approval of Modifications to Tariff Section 2.06*, Docket No. 19-057-T01, Order Approving Dominion Energy Utah's Modifications to Tariff Section 2.06, issued May 9, 2019.

<sup>9</sup> 191 Account Application, Ex. 1.5, p.6.

	<u>Current SNG Rate per Dth</u>	<u>Proposed SNG Rate per Dth</u>	<u>Difference</u>
<b>GS Rate Schedule</b>			
Summer Blocks 1 and 2 <sup>10</sup>			
SNG Base Rate	\$0.37355	\$0.37469	\$0.00114
SNG Amortization Rate	<u>\$0.02356</u>	<u>\$0.02356</u>	\$ ---
<b>Total</b>	<b>\$0.39711</b>	<b>\$0.39825</b>	<b>\$0.00114</b>
Winter Blocks 1 and 2			
SNG Base Rate	\$0.88317	\$0.89084	\$0.00767
SNG Amortization Rate	<u>\$0.05618</u>	<u>\$0.05618</u>	\$ ---
<b>Total</b>	<b>\$0.93935</b>	<b>\$0.94702</b>	<b>\$0.00767</b>
<b>FS Rate Schedule</b>			
Summer Blocks 1, 2, and 3			
SNG Base Rate	\$0.75994	\$0.78021	\$0.02027
SNG Amortization Rate	<u>\$0.04298</u>	<u>\$0.04298</u>	\$ ---
<b>Total</b>	<b>\$0.80292</b>	<b>\$0.82319</b>	<b>\$0.02027</b>
Winter Blocks 1, 2, and 3			
SNG Base Rate	\$0.93437	\$0.80291	\$(0.13146)
SNG Amortization Rate	<u>\$0.05319</u>	<u>\$0.05319</u>	\$ ---
<b>Total</b>	<b>\$0.98756</b>	<b>\$0.85610</b>	<b>\$(0.13146)</b>
<b>NGV Rate Schedule</b>			
SNG Base Rate	\$0.96427	\$0.97444	\$0.01017
SNG Amortization Rate	<u>\$0.06210</u>	<u>\$0.06210</u>	\$ ---
<b>Total</b>	<b>\$1.02637</b>	<b>\$1.03654</b>	<b>\$0.01017</b>
<b>IS Rate Schedule</b>			
SNG Base Rate	\$0.17963	\$0.17905 <sup>11</sup>	\$(0.00058)
SNG Amortization Rate	<u>not applicable</u>	<u>not applicable</u>	<u>not applicable</u>
<b>Total</b>	<b>\$0.17963</b>	<b>\$0.17905</b>	<b>\$(0.00058)</b>

As presented in DEU Exhibit 1.4, page 3, DEU also proposes to change the additional SNG monthly demand charge (“SNG Adder”) which allocates peak hour contract costs to transportation customers. This charge is collected from TS and TBF customers through a monthly demand charge per Dth of contracted monthly firm demand, and was approved in the

<sup>10</sup> The GS Block 1 rate is applicable to the first 45 Dth; Block 2 is applicable to usage greater than 45 Dth.

<sup>11</sup> See 191 Account Application, Ex. 1.5, p.3, n.1 for calculation.

PSC’s February 25, 2020 Order in Docket No. 19-057-02.<sup>12</sup> The current and proposed rates are shown below:

	<b><u>Current SNG Rate per Dth</u></b>	<b><u>Proposed SNG Rate per Dth</u></b>	<b>Difference</b>
<b>TSF Rate Schedule</b>			
Base SNG Annual Dem.	\$1.88962	\$2.09768	\$0.20806
SNG Amortization Rate	<u>\$0.11838</u>	<u>\$0.11838</u>	<u>\$ --</u>
<b>SNG Adder Annual</b>	<b>\$2.00800</b>	<b>\$2.21606</b>	<b>\$0.20806</b>
<b>SNG Adder Monthly</b>	<b>\$0.16733</b>	<b>\$0.18467</b>	<b>\$0.01734</b>
<b>TBF Rate Schedule</b>			
Base SNG Annual Dem.	\$1.18324	\$1.31352	\$0.13028
SNG Amortization Rate	<u>\$0.07376</u>	<u>\$0.07376</u>	<u>\$ --</u>
<b>SNG Adder Annual</b>	<b>\$1.25700</b>	<b>\$1.38728</b>	<b>\$0.13028</b>
<b>SNG Adder Monthly</b>	<b>\$0.10475</b>	<b>\$0.11561</b>	<b>\$0.01086</b>

*DPU Supports the 191 Account Application, Subject to an Audit, and No Party Opposes the Application.*

DPU testified the rates proposed in the 191 Account Application are just and reasonable, and in the public interest, and recommends their approval on an interim basis, effective January 1, 2022, subject to audit and review.<sup>13</sup> DPU calculates that approval of the 191 Account Application will result in an increase to the annual bill of a typical<sup>14</sup> GS residential customer of \$20.18, or 2.63 percent.<sup>15</sup> No party opposes the 191 Account Application.

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<sup>12</sup> *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 19-057-02.

<sup>13</sup> Virtual Hearing, 9:01-9:22.

<sup>14</sup> The assumption is that a typical GS residential customer uses 80 Dth per year.

<sup>15</sup> Virtual Hearing, 8:46-9:00.

Docket No. 21-057-29: Daily Transportation Imbalance Charge Application

In its application filed in Docket No. 21-057-29 (“TIC Application”), DEU proposes to increase its Daily Transportation Imbalance Charge (“TIC”) to \$0.08424 per Dth. DEU’s proposal represents a 1.3 percent increase over the previous TIC of \$0.08316 per Dth ordered by the PSC in Docket No. 21-057-18. The TIC applies to daily imbalance volumes outside of a five percent tolerance for transportation customers<sup>16</sup> taking service under MT, TS, and FT-1 rate schedules,<sup>17</sup> calculated using historical data for the twelve months ended October 31, 2021. The PSC approved the TIC and provided for it to be reviewed and recalculated concurrent with 191 Account pass-through filings in its November 9, 2015 order in Docket No. 14-057-31.<sup>18</sup>

DEU’s proposed increase in the TIC is based on a decrease in net imbalance volumes to 3,322,090 Dths from 3,395,735 Dths, and a decrease in daily volumes outside of the five percent tolerance to 10,010,703 Dths from 10,220,122 Dths. DEU argues that the TIC continues to achieve its intended objective of ensuring that those who utilize SNG services pay for the cost of those services.

*DPU Supports the TIC Application on an Interim Basis, Subject to an Audit.*

DPU states the current TIC has only been in place since February 2016, and that while it appears the nominations have become more accurate since the rate was imposed, several

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<sup>16</sup> DEU Tariff, Section 5.01, 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.”

<sup>17</sup> The FT-1 rate schedule was renamed TBF (Transportation Bypass Firm) in Docket No. 18-057-T04. In addition, the TS schedule now includes both Transportation Service Firm (TSF) and Transportation Service Interruptible (TSI) customer classes.

<sup>18</sup> See *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.

individual customers with gas nominations still fall outside the acceptable range. DPU contends there is also a large variation in the size of customers using the transportation rate.<sup>19</sup> DPU commits it will continue to monitor the TIC and usage.

DPU states it has reviewed the calculation and the TIC Application, but has not completed an audit of the individual entries and the credits to the 191 Account. DPU testified the requested charges are just and reasonable, and in the public interest.<sup>20</sup> Accordingly, DPU recommends the proposed TIC be approved on an interim basis, effective January 1, 2022.<sup>21</sup> No party opposes the TIC Application.

### **FINDINGS, CONCLUSION, AND ORDER**

In the Applications and at a hearing before the PSC, DEU offered sworn testimony and accompanying documentation that included detailed accountings of historical costs and revenues and cost and revenue projections, and detailed calculation models and supporting explanations describing the costs it seeks to recover, the rates it seeks to implement, and its methods of allocating costs and revenues to rate classes. DPU conducted a preliminary review of the Applications including an analysis of DEU's proposals and supporting documentation.<sup>22</sup> At hearing, DPU recommended that we approve them on an interim basis.<sup>23</sup> No party offered evidence opposing the Applications, DEU's testimony, or DPU's testimony and recommendation.

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<sup>19</sup> DPU December 16, 2021 Comments at 3.

<sup>20</sup> Virtual Hearing, 16:10-16:16.

<sup>21</sup> *Id.*, 16:17-16:22.

<sup>22</sup> DPU Comments.

<sup>23</sup> *Supra*, notes 13 and 21.



We find substantial evidence supports the conclusion that the rate changes requested by DEU in the Applications are more likely to reflect DEU's actual costs than current base rates. Accordingly, we conclude that the rate changes proposed by DEU in the Applications are just and reasonable, and in the public interest. DPU recommends that we approve the proposed rates on an interim basis, subject to the final audit that it has not yet conducted. We approve the proposed rates on an interim basis to ensure that the rates may be "trued-up" after DPU completes its final audit, such that DEU recovers no more or less from customers than the costs it actually incurs.

ORDER

Therefore, we order that the rates proposed in the Dockets are approved on an interim basis, effective January 1, 2022, pending the results of DPU's forthcoming audits.

DATED at Salt Lake City, Utah, December 27, 2021.

/s/ Yvonne R. Hogle  
Presiding Officer

Approved and confirmed December 27, 2021, 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#321660

CERTIFICATE OF SERVICE

I CERTIFY that on December 27, 2021, a true and correct copy of the foregoing was served upon the following as indicated below:

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