- 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	DOCKET NO. 22-057-08
Application of Dominion Energy Utah for an Adjustment to the Daily Transportation Imbalance Charge	DOCKET NO. 22-057-09 ORDER

ISSUED: July 28, 2022

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 August 1, 2022. Our approval results in an average net increase to the monthly bill of a typical GS residential customer using 70 decatherms[1] (Dth) of natural gas, of $4.76, or 8.15 percent, from current rates.

BACKGROUND

DEU filed the Applications on June 1, 2022. Each application proposes discrete rate changes and modification to DEU's Utah Natural Gas Tariff PSCU 500 ("Tariff"), effective August 1, 2022.

On June 13, 2022, the PSC held a consolidated scheduling conference for the Dockets. On June 15, 2022, the PSC issued a Scheduling Order and Notice of Hearing. On July 7, 2022, the Division of Public Utilities (DPU) filed comments and recommendations regarding the Applications. No other party petitioned to intervene or filed comments in either docket.

On July 21, 2022, the PSC held a consolidated hearing in the Dockets to consider each of the Applications, during which DEU and DPU provided testimony.

[1]The 191 Account Application explains that DEU has changed the characterization of a typical GS residential customer to one who uses 70 Dth of natural gas (rather than 80 Dth) based on the consistent decline in customer usage due to more energy efficient appliances and building measures.

FACTUAL BACKGROUND

Docket No. 22-057-08: 191 Account Application

DEU's Pass Through 191 Account Application in Docket No. 22-057-08 ("191 Account Application") proposes adjustments 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").[2] The 191 Account Application states DEU's request is based on projected Utah gas-related costs of approximately $714.770 million for the forecast test year, 12 months ending July 31, 2023 ("Test Year"). This represents an overall increase of approximately $93.837 million, reflecting a projected $94.044 million increase in commodity costs and a projected $0.206 million decrease in supplier non-gas (SNG) costs. The 191 Account Application includes updated Tariff Pages 2-2 through 2-6, 4-3, 4-4, and 5-6 through 5-11, with a proposed effective date of August 1, 2022.

The 191 Account Application Seeks to Include Expenses Related to DEU's LNG Facility.

The LNG Facility that we approved by Order in Docket No. 19-057-13 is scheduled to come online sometime in the fourth quarter of 2022 and will provide additional gas supply reliability for the 2022/2023 heating season. DEU proposes to include two expenses associated with the LNG facility in the 191 Account. The first are the commodity costs, which include

[2] *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 at 2, issued July 11, 2016.

purchased gas, injections, and working gas costs. The second are the SNG costs, which include the electricity used to run the facility.[3] DEU states that the electricity costs will fluctuate depending on the use of the LNG Facility each year, and that other jurisdictions in DEU's service territory allow for similar costs to be included in the commodity balance account.[4] If the PSC approves the inclusion of the LNG Facility related electrical expenses in the 191 Account, DEU states it will remove the costs from the costs reflected in its general rate case application in Docket No. 22-057-03.

The 191 Account Application Seeks an Increase in the Commodity Component of Rates.

The 191 Account Application proposes to increase DEU's total commodity rate for all rate classes. The intended use of the LNG Facility is to help prevent supply disruptions for DEU's firm sales customers.[5] As such, the GS and FS rate classes are assigned the commodity costs related to the LNG Facility.[6] DEU's proposed commodity rates for GS, FS, IS, and NGV rate classes are shown below:

	Current Commodity Rate per Dth	**Proposed Commodity Rate per Dth**
GS & FS Rate Schedule		
Base Gas Cost	$4.61960	$5.43597
191 Amortization Rate	$0.57020	$0.57020
Total Commodity Rate	**$5.18980**	**$6.00617**
IS Rate Schedule		
Base Gas Cost	$4.61960	$5.42485
191 Amortization Rate	$0.57020	$0.57020
Total Commodity Rate	**$5.18980**	**$5.99505**

[3] 191 Account Application, Ex. 1.1, p.2.
[4] *Id.,* ¶ 14.
[5] *Request of Dominion Energy Utah for Approval of a Voluntary Resource Decision to Construct a Liquefied Natural Gas ("LNG") Facility*, Docket No. 19-057-13, Order issued October 25, 2019, p.15.
[6] 191 Account Application*.,* ¶ 16.

NGV Rate Schedule		
Base Gas Cost	$4.61960	$5.42485
191 Amortization Rate	$0.57020	$0.57020
RIN Credit	($0.37839)	($0.33195)
Total Commodity Rate	**$4.81141**	**$5.66310**

The net commodity rate increase is due to an increase in the Base Gas Cost portion of the 191 Account balance and the allocation of LNG related costs to the FS and GS rate classes. DEU proposes to maintain the same 191 Amortization Rate of $0.57020 per Dth due to higher than anticipated gas costs during the 2021/2022 heating season which prevented DEU from reducing the under-collected portion of the 191 Account.[7] DEU states the magnitude of the under-collected portion of the 191 Account is due to the extreme weather event in Texas in February 2021.

The 191 Account Application Seeks a Credit of $0.33195 per Dth Applicable to the Natural Gas Vehicle (NGV) Commodity Rate.

The Order issued October 30, 2020 in Docket No. 20-057-14 directed DEU to evaluate other possible, more transparent, accounting methods to handle NGV Renewable Information Number (RIN) credits. DEU has evaluated and changed the method to account for NGV RIN credits by recognizing them in the amortization rate rather than the commodity rate. In Docket No. 21-057-28, RIN proceeds of $76,569 were generated through renewable natural gas sales at DEU's compressed natural gas station. DEU expects $49,105 to be amortized by August 1, 2022 and proposes to return the remaining amount of $27,464 to NGV customers. In addition, new RIN proceeds of $68,727 were received from November 2021 to April 2022, resulting in RIN

[7] *Id.,* ¶ 17.

proceeds of $96,190 to be amortized over the Test Year. Based on forecast NGV Dth, DEU proposes a credit of $0.33195 per Dth in the commodity rate for NGV customers.[8]

The 191 Account Application Seeks a $0.191 Million Increase in Total Revenue Collections Tied to SNG Rates During the Test Year.

DEU's Total forecasted Net SNG cost of $91.837 million is the sum of the forecast SNG costs ($88.614 million to be recovered in the SNG Base rate) and the current 191 SNG Account balance adjusted to maintain the SNG Account balance within the +/-$14 million ($3.223 million to be recovered in the SNG Amortization Rate). This Net SNG cost is an increase from the $91.673 million forecast in Docket No. 21-057-28.[9] Current SNG rates are estimated to recover $91.645 million. DEU proposes the following changes to the SNG Base Rate and the SNG Amortization Rate:[10]

	Current SNG Rate per Dth	**Proposed SNG Rate per Dth**
GS Rate Schedule		
Summer Blocks 1 and 2[11]		
SNG Base Rate	$0.37469	$0.38263
SNG Amortization Rate	$0.02356	$0.01392
Total	**$0.39825**	**$0.39655**
Winter Blocks 1 and 2		
SNG Base Rate	$0.89084	$0.91267
SNG Amortization Rate	$0.05618	$0.03321
Total	**$0.94702**	**$0.94588**
FS Rate Schedule		
Summer Blocks 1, 2, and 3		
SNG Base Rate	$0.78021	$0.75310

[8] *Id.,* ¶ 19.
[9] *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 21-057-28, (191 Application, DEU Exhibit 1.5, p.2)
[10] 191 Account Application, Ex. 1.5, p.6.
[11] The GS Block 1 rate is applicable to the first 45 Dth; Block 2 is applicable to usage greater than 45 Dth.

SNG Amortization Rate	$0.04298	$0.02741
Total	**$0.82319**	**$0.78051**
Winter Blocks 1, 2, and 3		
SNG Base Rate	$0.80291	$0.90210
SNG Amortization Rate	$0.05319	$0.03283
Total	**$0.85610**	**$0.93493**
NGV Rate Schedule		
SNG Base Rate	$0.97444	$0.68177
SNG Amortization Rate	$0.06210	$0.02481
Total	**$1.03654**	**$0.70658**
IS Rate Schedule		
SNG Base Rate	$0.17905	$0.17905[12]
SNG Amortization Rate	not applicable	not applicable
Total	**$0.17905**	**$0.17905**

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

DPU testified the electricity costs related to the LNG facility should be included in the 191 Account since "the LNG resource is not intended to be used on a regular and constant basis."[13] DPU also testified that if DEU changes the use and purpose of the LNG facility by using the facility on a regular basis, DPU may change its position and seek to include the costs in a future general rate case. In addition, DPU testified the rates proposed in the 191 Account Application are just, reasonable, and in the public interest, and recommends their approval on an interim basis, effective August 1, 2022, subject to an audit.[14] DPU calculates that approval of the 191 Account Application will result in an increase to the annual bill of a typical GS residential

[12] *See* 191 Account Application, Ex. 1.5, p.3, n.1 for calculation.
[13] Live Stream of July 21, 2022 Hearing, at 16:50.
[14] *Id.*, at 18:00.

customer using 80 Dth per year, of $65.20, or 8.27 percent. No party opposes the 191 Account Application.

Docket No. 22-057-09: Daily Transportation Imbalance Charge Application

In its application filed in Docket No. 22-057-09 (the "Daily TIC Application"), DEU proposes to increase the Daily Transportation Imbalance Charge ("TIC") from $0.08424 to $0.08592 per Dth for daily imbalance volumes outside of a five percent tolerance for transportation customers taking service under DEU's MT, TSF/TSI, and TBF rate schedules, using historical data for the twelve months ending April 30, 2022.[15] The PSC approved the TIC and provided for its review and recalculation concurrent with the 191 Account pass-through filings in its November 9, 2015 order in Docket No. 14-057-31.[16]

DPU Supports the Daily TIC Application, Subject to an Audit.

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 appears to DPU that 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 59 largest transportation customers, which use 75 percent of the transportation gas volumes, account for 47 percent of the imbalance charges; (2) conversely, the remaining customers (which account for

[15] 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[.]"

[16] *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.

the other 25 percent of transportation gas volumes) paid the remaining 53 percent of the total Dth outside of 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. DPU testified the rates proposed in the Daily TIC Application are just and reasonable, and in the public interest, and recommends their approval on an interim basis, effective August 1, 2022.[17] DPU also testified that it may provide DEU recommendations in the future to address the concerns discussed above about the gas nomination process.[18]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

In the Applications and at 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. The 191 Application also introduced, for the first time, a new account for costs related to the LNG facility including LNG purchased gas, LNG storage adjustment, and LNG working charges. Consistent with section 2.06 of DEU'S Tariff, "[DEU] […] provide[d] 60 days prior notice of […] inclusion of a new account or the first time inclusion of other material items."

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[17] Live stream of July 21, 2022 Hearing, at 34:30.
[18] *Id.*, at 36:50.

We first evaluate whether inclusion of the new costs related to the LNG facility in the 191 Account is appropriate. We observe that although natural gas prices are currently forecast to be lower after the 2022-2023 heating season, they are nevertheless volatile given current supply constraints, unpredictable economic and market information, and current geopolitical events. We find that if the LNG facility is placed into service in the 4th quarter of 2022 as DEU testifies, it will provide additional gas supply reliability in the 2022-2023 winter heating season. In regard to the LNG storage-related electricity costs specifically, we find that electricity costs will likely fluctuate with the liquefaction of natural gas for storage into the LNG tank, and these costs are directly related to the amount of gas that must be liquified each year, which will likely vary from year to year.[19] Given the volatility of natural gas prices, we find and conclude that it is reasonable and in the public interest to include LNG purchased gas, LNG storage adjustment, and LNG working charges, including the electricity costs related to the LNG facility in the 191 Account, at this time.[20]

We also find the proposed Daily TIC rate change is reasonable. It continues to provide an appropriate economic incentive for TS customers as they manage their daily nominations and has provided cost recovery for SNG services used. Therefore, we find substantial evidence supports the conclusion that the rate changes requested by DEU in both Applications are more likely to reflect DEU's actual costs than current base rates. Accordingly, we conclude that the rate

[19] According to DEU, North Carolina allows DEU to include these types of costs in rates through an account similar to the 191 Account.

[20] We acknowledge DPU's recommendation that it could be advantageous to customers for DEU to wait to fill the LNG facility until after the 2022-2023 heating season, given current forecasts of lower natural gas prices. We take DEU at its word that it will continue to assess whether it makes sense to fill the LNG facility now or wait as suggested by DPU.

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 approve:

1) the 191 Application and the Daily TIC Application, and the rates proposed therein, on an interim basis, effective August 1, 2022, pending the results of DPU's forthcoming audits;
2) the inclusion of LNG purchased gas, LNG storage adjustment, and LNG working charges, including the electricity costs related to the LNG facility in the 191 Account, at this time;
3) 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; and
4) DEU's proposal to remove electricity expenses related to the LNG Facility that we include here, from the costs it seeks to recover in its general rate case in Docket No. 22-057-03.

DATED at Salt Lake City, Utah, July 28, 2022.

/s/ Yvonne R. Hogle
Presiding Officer

Approved and confirmed July 28, 2022, 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#325013

CERTIFICATE OF SERVICE

I CERTIFY that on July 28, 2022, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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