UTAH 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
Ryan Daigle, Utility Analyst

Date: October 19, 2022

Re: **Docket No. 22-057-17,** Application for an Adjustment to the Daily Transportation Imbalance Charge.

Recommendation (Approve)

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. 22-057-17 (Daily Transportation Imbalance Charge) with an effective date of November 1, 2022.

Issue

On September 30, 2022, Dominion Energy Utah (Dominion or Company) filed the application identified above. The proposed imbalance charge of $0.09449 per Dth is approximately 10% higher than the previous charge of $0.08592. The Commission directed the Division to review the current application and provide recommendations. On October 6, 2022, the Commission held a scheduling conference in the above matter. The

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Commission's Scheduling Order established October 19, 2022, 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 as part of each 191 pass-through filings. The current filing represents the second adjustment in 2022 and was filed simultaneously with Docket Nos. 22-057-13, 22-057-14, 22-057-15, & 22-057-16. The revised calculation is based on updated volumes through August 31, 2022. The Company's application requests an approximate 10.0% increase in the daily transportation imbalance charge from the rate that was approved in Docket No. 22-057-09. If approved, the rate would increase from \$0.08592 to the proposed rate of \$0.09449. This rate applies to transportation customers with daily imbalance volumes outside the ±5% tolerance level.

Discussion

In Docket No. 14-057-31, the Commission approved a supplier non-gas charge (SNG) to transportation customers for daily nomination imbalance volumes that were outside of a ±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 it is 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.

As stated above, 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 ±5% 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.

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The proposed new rate of $0.09449 per Dth is a 10.0% increase from the current rate of $0.08592 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended August 31, 2022. There are two components that contribute to the increase of the proposed rate, one being the line 2 "ACA" component which is the unit charge determined by FERC, and the second component is the "Clay Basin Fuel Gas Reimbursement". The Division continues to review Exhibit 1.1, which includes the daily nomination and imbalance information for 1,139 transportation customers and includes 434,223 lines of information. The accuracy of the gas nomination process and the impact of transportation customers on the Company's distribution system continues to be a concern.

The gas nominations of several individual customers fall outside the acceptable range. Likewise, there is a large variation in the size of customers using the transportation rate schedule. In response to previous data requests, the Company has provided additional information to include the marketing agents for each contract number. In reviewing the information from Exhibit 1.1 in the current as well as previous filings, the Division noted the following.

1. The 16 largest contracts utilize 50% of the total transportation volume but only account for 25% of the imbalance charges. Most of the agents for 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 large use customers represent the majority of the total usage with 105 of the largest contracts utilizing 80% of the total volume. These customers were less accurate in their nominations and account for 60% of the total imbalance charges.

3. The remaining customers represent 87% of the total customer contracts but only represent only 20% of the total volume. These small use customers 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 40% of the total Dth outside the tolerance limit. Smaller transportation

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customers appear to be using natural gas primarily for seasonal heating, are less accurate in the nomination process, and pay a greater portion of the imbalance penalty rate.

4. One marketing company represents the majority of the smaller volume users. [redacted] The Division surmises that the disparity may be simply due to the nature of the usage by these smaller customers who utilize gas for winter heating rather than industrial processes. The Division will continue to monitor the imbalance charge and usage for this particular and other broader issues.

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 as well as the imbalance charges and will verify that the collected penalty is being accurately credited back to GS customers in the 191 account. We will make recommendations to the Commission if appropriate.

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 ±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.

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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, 2022. The proposed changes are in the public interest and represent just and reasonable rates for Utah customers.

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