

- 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. 23-057-03</u>
Application of Dominion Energy Utah for an Adjustment to the Daily Transportation Imbalance Charge	<u>DOCKET NO. 23-057-04</u> <u>ORDER</u>

ISSUED: February 28, 2023

**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 March 1, 2023. Our approval results in an average increase of \$8.33 to the monthly bill of a typical GS residential customer using 70 decatherms (Dth) of natural gas, or an 11.52 percent increase from current rates.

**PROCEDURAL BACKGROUND**

DEU filed the Applications, along with exhibits, on February 1, 2023. Each application proposes discrete rate changes and modifications to DEU’s Utah Natural Gas Tariff PSCU 600 (“Tariff”), effective March 1, 2023.

Pursuant to our Scheduling Order, on February 15, 2023, the Division of Public Utilities (DPU) filed comments and recommendations regarding the Applications (“DPU Comments”). On February 21, 2023, DEU filed reply comments and updated exhibits (“DEU Reply”). No other party petitioned to intervene or filed comments in the Dockets.

On February 27, 2023, the PSC held a consolidated hearing to consider the Applications. DEU and DPU appeared and provided testimony.<sup>1</sup>

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<sup>1</sup> Reference herein to “Virtual Hearing” is to the audio recording of the February 27th hearing and is located at <https://www.youtube.com/watch?v=TPKIHXctmUw>.

**FACTUAL BACKGROUND**

**Docket No. 23-057-03: 191 Account Application**

DEU's Pass-Through 191 Account Application in Docket No. 23-057-03 ("191 Account Application") proposes an increase of \$92,092,281 in its 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 is based on projected Utah gas-related costs of approximately \$781.470 million for the forecast test year ending February 29, 2024 ("Test Year").<sup>3</sup> This represents an overall increase of approximately \$92.092 million, reflecting a projected \$94.171 million increase in commodity costs and a projected \$2.079 million decrease in supplier non-gas (SNG) costs. The commodity portion of the \$94.171 million increase is comprised of a decrease of \$69.173 million base gas cost due to lower forecasted gas costs for the Test Year and an increase of \$163.344 million in the 191 Account December 2022 balance.

***DPU Comments***

DPU states the driving force behind DEU's request is the large increase of the under-collected 191 Account commodity balance in December of 2022.<sup>4</sup> DPU identifies that significantly colder temperatures, higher withdrawal rates of storage volumes of working gas,

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<sup>2</sup> See DEU's Utah Natural Gas Tariff PSCU 600 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> See 191 Account Application at 2, ¶ 4.

<sup>4</sup> See DPU Comments at 2 and 4 ("As of December 31, 2022, the commodity portion of the 191 [A]ccount was \$225 million under-collected[.]").

increased demand for electricity in the Pacific states, and a dramatic increase in market prices for natural gas have all contributed to this large under-collection.<sup>5</sup> DPU also states it has discussed the 191 Account balance with DEU, and was informed that DEU plans to file another pass-through application to amortize a significant under-collected amount that occurred in January 2023.<sup>6</sup> Due to the large under-collected balance in the 191 Account, DPU suggests that the PSC leave the SNG rate unchanged, which would result in allowing an extra \$2.1 million to be collected in rates.<sup>7</sup> DPU acknowledges this recommendation differs from general practice, but supports the departure because the under-collection in January is already known and is significant.<sup>8</sup> DPU states it could be in the public interest to include the larger increase now instead of waiting for the next pass-through application to come just as high usage volumes decline and limit collection through the summer months. DPU supports and recommends the requested rate changes on an interim basis, effective March 1, 2023, and that the PSC consider leaving the SNG rate unchanged.<sup>9</sup>

***DEU Reply Comments***

The DEU Reply states that as a result of discussions with DPU, DEU conducted further modeling of the balance in the 191 Account Application reflecting unchanged base commodity rates, rather than modifying them to reflect forecasted commodity costs over the Test Year.<sup>10</sup> To address DPU's concerns about the large under-collected 191 Account balance, DEU

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<sup>5</sup> See *id.* at 11.

<sup>6</sup> See *id.* at 10.

<sup>7</sup> See *id.*

<sup>8</sup> See *id.*

<sup>9</sup> See *id.* at 11.

<sup>10</sup> See DEU Reply at 2.

recommends keeping base commodity rates unchanged from its last pass-through application,<sup>11</sup> thus “more quickly reducing the under-collected balance in the 191 [A]ccount, reducing the interest expense associated with that balance, and reducing the impact of large increases in the future.”<sup>12</sup> In support of this proposal, the DEU Reply provided updated exhibits reflecting further modeling.

Based on its modified modeling, DEU requests an increase in Utah natural gas rates related to its 191 Account of \$163,884,568, representing the \$92.1 million reflected in the 191 Account Application plus an additional amount of approximately \$71.8 million which is comprised of the base commodity rates the PSC previously approved in DEU’s prior pass-through application in Docket No. 22-057-16 and the projected \$2.079 million decrease in SNG costs that the DPU has recommended not be refunded in this case. Table 1 below reflects DEU’s proposed increase to the amortization rate for the GS, FS, IS, and NGV rate classes, and illustrates the difference in the rates proposed in the DEU Reply.

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<sup>11</sup> See *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 22-057-16, Order issued October 31, 2022.

<sup>12</sup> See DEU Reply at 3.

**Table 1**

	<b>Current Rates</b>	<b>Proposed Rates In Application</b>	<b>DEU Reply Comments Rates</b>
	<b><u>Rate per Dth</u></b>	<b><u>Rate per Dth</u></b>	<b><u>Rate per Dth</u></b>
<b>GS &amp; FS Rate Schedule</b>			
Base Gas Cost	\$6.58934	\$5.99225	\$6.58934
191 Amortization Rate	<u>\$0.53231</u>	<u>\$1.94243</u>	<u>\$1.95949</u>
<b>Total Commodity Rate</b>	<b>\$7.12165</b>	<b>\$7.93468</b>	<b>\$8.54883</b>
<b>IS Rate Schedule</b>			
Base Gas Cost	\$6.57313	\$5.98404	\$6.57313
191 Amortization Rate	<u>\$0.53231</u>	<u>\$1.94243</u>	<u>\$1.95949</u>
<b>Total Commodity Rate</b>	<b>\$7.10544</b>	<b>\$7.92647</b>	<b>\$8.53262</b>
<b>NGV Rate Schedule</b>			
Base Gas Cost	\$6.57313	\$5.98404	\$6.57313
191 Amortization Rate	\$0.53231	\$1.94243	\$1.95949
RIN Credit	<u>(\$0.48096)</u>	<u>(\$0.58164)</u>	<u>(\$0.48096)</u>
<b>Total Commodity Rate</b>	<b>\$6.62448</b>	<b>\$7.34483</b>	<b>\$8.05166</b>

DEU represents it has spoken with DPU and the Office of Consumer Services (OCS) and is authorized to represent that both DPU and OCS support the proposed rate increase of approximately \$164 million, as reflected in the DEU Reply.<sup>13</sup>

***Testimony at Hearing***

At hearing, DEU testified that the increase in its commodity amortization rate of its 191 Account natural gas rates was due to an extreme increase in the under-collected balance of the 191 Account in December 2022 of almost \$164 million, and that the balance is now almost \$225 million.<sup>14</sup> DEU testified that it worked with DPU to modify its modeling and that the amount

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<sup>13</sup> See *id.* at 4.

<sup>14</sup> Virtual Hearing, at 3:10-3:35. DEU explained that the extreme increase in the balance of the 191 Account in December 2022 resulted from reduced supply, specifically (1) lower gas storage which led to higher-than-expected prices in the West, (2) the El Paso gas line being out of service, causing California to purchase its natural gas from the same locations from which DEU purchases its gas, and (3) the drought in the West that limited electricity production from hydro resources which caused electricity companies to rely more on natural gas to produce electricity. *Id.*, at 5:15-8:10.

proposed in the DEU Reply will help reduce the under-collected balance more quickly, prevent some customer interest expenses, and reduce future pass-through increases.<sup>15</sup> DEU further testified that, if approved, a typical DEU Utah GS customer using 70 Dth annually will see an increase of \$99.91, or 11.52 percent.<sup>16</sup> In conclusion, DEU testified that the proposed rates are just, reasonable, and in the public interest, and requested the PSC approve them on an interim basis, effective March 1, 2023.<sup>17</sup>

DPU testified that it supported the 191 Account Application, including with the modified modeling in the DEU Reply, as being just, reasonable, and in the public interest, and recommends the PSC approve the rates on an interim basis with an effective date of March 1, 2023.<sup>18</sup>

**Docket No. 23-057-04: Daily Transportation Imbalance Charge Application**

In its application filed in Docket No. 23-057-04 (“TIC Application”), DEU proposes to decrease the Daily Transportation Imbalance Charge (“TIC”) from \$0.09449 to \$0.08814 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 December 31, 2022.<sup>19</sup> The PSC approved the TIC and provided for its

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<sup>15</sup> *Id.*, at 3:49-4:08.

<sup>16</sup> *Id.*, at 4:09-4:20.

<sup>17</sup> *Id.*, at 4:23-4:36.

<sup>18</sup> *Id.*, at 15:53-18:06.

<sup>19</sup> DEU’s Natural Gas Tariff PSCU 600, 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[.]”

review and recalculation concurrent with the 191 Account pass-through filings in its November 9, 2015 order in Docket No. 14-057-31.<sup>20</sup>

***DPU Comments***

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 also states the requested charges are just and reasonable, and in the public interest. Accordingly, DPU recommends the proposed TIC Application be approved on an interim basis, effective March 1, 2023, subject to audit and review.<sup>21</sup> No party opposed the TIC Application.

***DEU Reply Comments***

DEU states that the TIC is made up of several volumetric rates and, consistent with the modified modeling in the DEU Reply, includes a recalculation of the Weighted Average Cost of Gas rate. As a result, DEU now proposes to decrease the TIC from \$0.09449 to \$0.09187 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 December 31, 2022.

***Testimony at Hearing***

DEU's testimony explained the effect of the modified modeling in the DEU Reply as it relates to the TIC Application, and otherwise reaffirmed what it provided in its written

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<sup>20</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.

<sup>21</sup> See DPU Comments at 5.

comments. DPU testified that it supported the TIC Application, including with the modified modeling in the DEU Reply, as being just, reasonable, and in the public interest and recommends the PSC approve the rates on an interim basis, subject to audit.<sup>22</sup>

**FINDINGS, CONCLUSIONS, AND ORDER**

In written comments and at a hearing before the PSC, DPU offered sworn testimony and discussed the unusual circumstances surrounding the Applications. DPU provided details on the series of events that led to DEU under-collecting \$163,343,962 in December 2022, which resulted in the highest ever under-collected amount in the 191 Account. The 191 Account also saw a large under-collection in January 2023. DPU thus supports the DEU Reply to help address these unusual circumstances. Similarly, DEU testified that the modified proposal in the DEU Reply will help lower the interest expense customers will owe DEU as a result of the large under-collected balance in the 191 Account.

DPU also testified that based on its review, the rates proposed in the 191 Account Application and the TIC Application, including in supporting testimony, exhibits, and the DEU Reply are just, reasonable, and in the public interest, and recommended that we approve them on an interim basis. DEU represents it has spoken with the OCS and is authorized to represent that the OCS supports the proposed rates as reflected in the DEU Reply. No party offered evidence in opposition.

Accordingly, we find substantial evidence supports our conclusion that the rate changes requested by DEU are appropriate; they will reduce the under-collected balance in the 191

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<sup>22</sup> Virtual Hearing, at 26:34-26:57 and 27:22-27:36.



Account and thus reduce the interest expense to customers associated with that unprecedented under-collected 191 Account balance, and accordingly are just, reasonable, and in the public interest. Though DPU's preliminary review shows that the proposed rates are just, reasonable, and in the public interest, DPU states that it has not yet conducted a final audit. We therefore find and conclude that approval of the proposed rates on an interim basis is appropriate to ensure that the rates will 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.

Therefore, we order:

- 1) The rates proposed in Docket Nos. 23-057-03 and 23-057-04 as reflected in the DEU Reply are approved on an interim basis, effective March 1, 2023, subject to the results of DPU's forthcoming audits; and
- 2) The proposed tariff modifications in the DEU Reply described above are approved, effective March 1, 2023.

DATED at Salt Lake City, Utah, February 28, 2023.

/s/ John E. Delaney  
Presiding Officer

Approved and confirmed February 28, 2023, 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#327150

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 February 28, 2023, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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