UTAH DEPARTMENT OF COMMERCE
Division of Public Utilities

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Division Director

Redacted

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Ryan Daigle, Utility Analyst

Date: February 15, 2023

Re: **Docket No. 23-057-04,** 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. 23-057-04 (Daily Transportation Imbalance Charge) with an effective date of March 1, 2023.

Issue

On February 1, 2023, Dominion Energy Utah (Dominion or Company) filed the application identified above. On February 7, 2023, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order established February 15, 2023, as the date the Division and other parties would file comments.

Redacted

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 filing. The current filing represents the first adjustment in 2023 and was filed simultaneously with Docket No. 23-057-03. The revised calculation is based on updated volumes through December 31, 2022. The Company's application requests an approximate 6.7% decrease in the daily transportation imbalance charge from the rate that was approved in Docket No. 22-057-17. 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. This is the first filing in 2023 and is being filed concurrently with the updated 191 account pass-through application. During the calendar year 2022, TS customers paid $1.229 million in imbalance charges which have been credited to GS customers through the 191 account.

Redacted

The proposed new rate of $0.08814 per Dth is a 6.7% decrease from the current rate of $0.09449 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended December 31, 2022. The primary component or reason for this decrease is due to lower forecast gas cost and a lower calculated rate for the "Clay Basin Fuel Gas Reimbursement." All other components remain unchanged from the previous filing. The Division continues to review Exhibit 1.1, which includes the daily nomination and imbalance information for 1,159 transportation customers and includes 435,151 lines of information.

On any given day, the gas nominations of several individual customers fall outside the acceptable range. Some customer nominations may bring more gas to the system than actual usage while others may bring less gas than actually used. There is also 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 17 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 108 of the largest contracts utilizing 80% of the total volume. These customers were more accurate in their nominations and account for 62% of the total imbalance charges.
3. The remaining customers represent only 20% of the total TS volume but represent 86% of the total customer contracts. These small-use customers will have a lesser impact on the distribution system if their nominations are not as accurate. While these smaller customers represent only 20% of the total volume, they have paid a larger portion of the penalty and represent 38% of the total Dth outside the tolerance limit. Smaller transportation customers appear to be using natural gas primarily for

Redacted

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 more predictable industrial and manufacturing processes. The Division will continue to monitor the imbalance charge and usage as well as 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 to GS customers in the 191 account and will make recommendations 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.

Redacted

Conclusion

The Division has reviewed the application and recommends the Commission approve the proposed rates on an interim basis with an effective date of March 1, 2023. 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