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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
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Eric Orton, Utility Technical Consultant
Matthew Pernichele, Utility Analyst

Date: August 10, 2023

Re: **Docket No. 23-057-12**, Dominion Energy Utah's Application for Approval of a Special Contract with Snowbird Resort, LLC

Recommendation (Approval)

The Division of Public Utilities (Division/DPU) has reviewed *In the Matter of the Application of Dominion Energy Utah (Dominion/DEU) for Approval of a Special Contract with Snowbird Resorts, LLC (Snowbird) (Application)* and the related contract between DEU and Snowbird titled *Dominion Energy Utah, Utah Transportation Service Agreement (Contract)* and recommends the Public Service Commission (Commission) approve the Application and Contract.

Issue

This docket originated from the Application filed with the Commission on July 28, 2023. DEU is asking the Commission to approve the Contract exempting Snowbird from several charges required by DEU's current Tariff arising from the installation of a second gas meter. The Commission must determine whether the Contract is "just and reasonable"¹ because it deviates from DEU's current tariff.² On August 1, 2023, the Commission issued an Action

¹ Utah Code Annotated §54-3-7 (2023).

² Dominion Energy's Utah Tariff for Natural Gas Service in the State of Utah, Tariff PSCU No. 600, §5.01 and §8.03.

Request to the Division of Public Utilities asking it to review the Application and make recommendations by August 11, 2023.

Background

In 2019, DEU decided to update the meter, regulator, and associated equipment (collectively, Equipment) serving Snowbird Resort, its cogeneration plant, Alta Resort, and the town of Alta. As noted in the Application, the Equipment had been originally installed in 1986 in a small, concrete shed (Shed 1) to protect it from avalanches. DEU engineers determined that the space within the shed was too cramped to maintain the Equipment safely and efficiently, and that the Equipment was old and in need of replacement.

The Application also describes how Shed 1 could not be replaced with a larger building because of space constraints and an adjacent stream and environmentally sensitive area. DEU decided to add a larger second concrete building (Shed 2) just down the main gas line on the other side of the fire station which would house the new IHP regulator and Snowbird's IHP meter. Snowbird leased the land for the new building to DEU for a nominal fee. Shed 1 was refitted to hold the new HP regulator and meter for Snowbird's cogeneration plant located about 10 yards up the canyon on the other side of the small stream.

The Division made a visit to the site on August 3, 2023. Due to the short timeline associated with this docket, no one from DEU was able to meet the Division at the site. The Division was able to confirm the space limitations and the existence of the stream and wild area described in the Application. The Division also confirms the larger work area with proper clearance to access the Equipment in Shed 2.

The Division had a meeting with DEU on August 8, 2023, where DEU clarified and expounded on the information given in the Application and responded to questions. DEU asserted that it considered alternative designs for upgrading the Equipment and determined that these alternative designs would have a significantly higher capital cost than the chosen remedy. The Division was unable to quantify or confirm this due to time constraints.

According to DEU, construction on the project was delayed by a long planning process and didn't begin until December 7, 2021. The IHP line with the new meter located in Shed 2 went into service on October 6, 2022, and the reconfigured HP line in Shed 1 is expected to be ready sometime in September 2023. DEU stated that construction took much longer than normal due to weather delays and the need to keep a consistent gas supply for the cogeneration facility.

DEU also admitted that the team working on upgrading Snowbird's Equipment was not aware of the billing implications of adding the additional meter and didn't inform Snowbird of the increased expenses until well after the project was completed. DEU engineers stated that they are adding systems to its internal design build process to ensure that this doesn't happen in the future.

Discussion

Snowbird is classified as a Category 4 Transportation Service Medium (TSM) DEU customer based on the capacity of its meter. The proposed Contract exempts Snowbird from paying three types of extra charges that it would be paying under DEU's current tariff because of the extra meter:

- Basic Service Fee – Section 8.03 of the tariff requires that transportation customers pay the basic service fee for each meter installed. Based on the TSM rates in Section 5.06, Snowbird would have to pay an additional Basic Service Fee of \$420.25 each month for a total of \$5,043.00 a year.
- Administrative Charge - Section 5.01 requires that the first meter on a contiguous property covered by a gas purchase contract pay an administrative charge of \$2,400 per year (\$200 per month) and \$1,200 per year (\$100 per month) for each additional meter on the property. Snowbird would have to pay an extra Administrative Charge of \$100 each month for the additional meter.
- Declining Volumetric Charges – Section 5.05 establishes a declining monthly charge for each Dth of gas transported over DEU's lines by a TSM customer. The current rates are:
 - First 2,000 Dth \$1.09783
 - All over 2,000 Dth \$0.54876

With the extra meter charges, Snowbird would have to pay the higher price on the first 4,000 Dth each month instead of the first 2,000 Dth. DEU calculated that, based on Snowbird's gas usage between August 2022 and July 2023, the charges from the additional meter would cost Snowbird \$10,993.78 per year because it would have to pay the higher price for the lower volume blocks separately for each meter.

DEU calculated that, absent the Contract's provisions that deviate from DEU's tariff, Snowbird would have to pay an additional \$17,236.78 per year. The Division has reviewed DEU's calculations, and they are correct based on the tariff and DEU's projection of Snowbird's usage.

If the Application is approved and Snowbird is exempted from these charges, this lost revenue would have to be made up by other DEU customers. The unpaid Basic Service Fees would be paid by all DEU BSF 4 customers. The unpaid Administrative Charges and Volumetric Charges would be paid by all DEU Transportation Customers.

DEU and the Division have only been able to find two other instances where DEU has asked the Commission to approve contracts that deviated from its tariff. These were for service to PacifiCorp's power plants Lake Side 1³ in 2005, and Lake Side 2⁴ in 2012. The Division believes that approving the Contract will not lead to more requests to deviate from the tariff because these types of unique physical constraints necessitating additional meters are unlikely to appear in the future.

The Division believes that this special Contract is in the public interest for the following reasons.

1. The decision to upgrade the equipment and add a second meter was made by DEU and Snowbird was unaware of the billing implications until long after the fact.
2. Equipment needed to be upgraded because it was old and unsafe and difficult to maintain.

³ Docket Number 05-057-02, Order Approving Agreement, In the Matter of the Application of Questar Gas Company for Approval of a Firm Transportation Agreement with PacifiCorp, May 24, 2005.

⁴ Docket Number 12-057-04, Report and Order, In the Matter of the Application of Questar Gas Company to Provide Natural Gas Transportation Service to the Lake Side Power Plant Facility, June 20, 2012.

3. The second meter was required because of the unique space and environmental constraints.
4. Alternative designs would have been significantly more expensive.

DEU is asking the Commission to make the Contract retroactive to October 1, 2022, which is close to when the second meter went into service. The early effective date would exempt Snowbird from any of the charges from the extra meter since it went online but would be effective prior to the Contract execution date. Even though the meter was in place, DEU did not collect the additional charges from Snowbird and no refund is due. The special Contract with Snowbird was signed seven months later, on May 2, 2023. As an alternative, the Commission could make the effective date May 2, 2023, to match the Contract execution date and acknowledge that there were billing errors that will not be collected prior to the effective date. This would make the effective date of the special Contract match the date of the Commission's order.

Conclusion

The Division recommends that the Commission approve the Contract between DEU and Snowbird because: 1) the decision to upgrade the equipment was prudent and necessary, 2) the choice to give Snowbird a second meter was made by DEU with no input from Snowbird, 3) this was the correct choice because of space constraints and the higher cost of alternative configurations, and 4) the unique circumstances of this situation are unlikely to incentivize DEU or its customers to seek these types of deviations from the tariff in the future. The Division also cautions DEU that special contracts should generally not be retroactive and more time for regulatory review of them will almost always be needed. While the Division could accommodate the haste for a retroactive contract here, that will not always be the case. If similar situations arise, it would also be helpful if DEU apprised the Division of the matter as it proceeded, instead of at filing.

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