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
Ryan Daigle, Utility Analyst

Date: January 16, 2024

Re: **Docket No. 23-057-25,** Adjustment in Rates and Charges to the 191 Pass-Through.
Docket No. 23-057-26, Application for an Adjustment to the Daily Transportation Imbalance Charge.

Recommendation (Approve)

After a preliminary review of the applications, the Division of Public Utilities (Division) recommends the Public Service Commission of Utah (Commission) approve, on an interim basis, the requested rate changes in Docket Nos. 23-057-25 and 23-057-26. The Division finds applying these interim rates to be just, reasonable, and in the public interest.

In addition to the dockets addressed in this memo, Dominion Energy Utah (Dominion or Company) simultaneously filed two additional applications, Docket Nos. 23-057-27 (Infrastructure Rate Adjustment) and 23-057-28 (Rural Expansion Rate Adjustment). The Division's response to those filings is provided under separate memos. All the applications request an effective date of February 1, 2024.

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Issue

On December 28, 2023, Dominion filed four applications with the Commission. On January 4, 2024, the Commission held a scheduling conference on the above matter. The Commission's Scheduling Order established January 16, 2024, as the date the Division and other parties would file comments. This memo is the Division's response to Docket Nos. 23-057-25 & 23-057-26.

Docket No. 23-057-25

The 191 Pass-Through filing is a request for Commission approval for a decrease of $19,235,183[1] to the Utah natural gas rates. The driving force behind this decrease is the over-collected 191 account supplier non-gas (SNG) balance. There is no change to the base commodity or commodity amortization rates in this application. If the Commission approves the proposed rate, a typical GS customer using 70 dekatherms per year will see a decrease in their total annual bill of $10.80 or 1.14%.

Rate Details

The Utah gas costs in the previous filing, Docket No. 23-057-03, were $845,082,562[2] with a forecast test year ending February 29, 2024. This filing is based on projected Utah gas costs of $847,954,472 for the forecast test year ending January 31, 2025.[3]

This filing represents a decrease in the forecast price but includes a large under-collected balance in the 191 account from previous periods. The proposed rate represents no change to the commodity portion of the gas cost and a decrease of $19,235,183 million in the supplier non-gas cost (SNG) portion. The driving force behind the price decrease in this filing is the under-collection commodity portion in the 191 account due to high gas prices in prior periods.

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[1] Pass-Through Application, Paragraph 1.
[2] Docket No. 23-057-03, Exhibit 1.1U, Page 2, Line 21, Column E.
[3] Exhibit 1.1, Page 2, Line 21, Column E.

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In the previous filing, the 191 balancing account was under-collected by $225 million, by February 28, 2023 the under-collected balance reached $539 million. The under-collected commodity balance as of November 30, 2023 is $313 million. If the base commodity and commodity amortization remain unchanged from the most recently approved rates in Docket No. 23-057-03, the under-collected 191 account and interest expenses incurred by GS customers will be reduced. It is anticipated that the under-collected balance will be significantly reduced during the current winter heating season.

Supplier Non-Gas Costs (SNG)

SNG costs are set by contractual transportation and storage agreements and tariffs. Historically SNG costs have been relatively stable and predictable, which is unlike the volatility that exists in the market price of natural gas. These costs are associated with transporting market purchased and Wexpro gas from market hubs to city gates and storing the gas in available facilities for later withdrawal during the winter months. While the contract amounts are relatively stable, the estimation and collection of these costs occur through volumetric rates, which are set assuming normal weather conditions. Variations in the actual volumetric sales due to changing weather conditions will impact the collection of these costs and will result in over or under-collection of SNG costs.

The Company implemented the changes to the SNG, and Commodity cost allocation approved by the Commission in Docket No. 19-057-T01. With these changes, the Company now estimates that the SNG balance will swing between $14.0 million under-collected to $14.0 million over-collected. The process of under and over-collection during the year is intended to minimize the amount of interest paid or collected by the Company on the SNG costs included in the 191 balances. The Company is projecting total SNG costs for the test year of $91,282,803[4] less the $14,759,603[5] amortization of the over-collected amount from

[4] Exhibit 1.5, page 2, Column D, Line 1.
[5] Exhibit 1.5, page 2, Column D, Line 2.

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the previous period for a total of $76,523,200.[6] The Company is requesting a decrease in the total SNG winter rate from 0.94680 to 0.75356.[7]

Gas Supply

For the test year, March 1, 2023, through February 29, 2024, the Company is projecting a total system requirement of 124,039,742 Dths.[8] Of the total requirement, 118,552,357 Dths[9] will be used to meet the projected sales requirement with 5,487,385 Dths used for storage, gas volume reimbursement due to gathering, transportation, distribution fuel, and shrinkage. Approximately 45.2%[10] of the annual gas requirement will be satisfied with the Wexpro cost-of-service production, 26.1%[11] will be satisfied under current purchase contracts and 28.7%[12] will be purchased with future contracts and spot market transactions. The total expected natural gas cost for the test year is $875,205,353 million.[13]

The cost-of-service gas from all Wexpro production is projected to cost $259,773,491 at an average cost of $4.63 per Dth.[14] Prices for cost-of-service gas from Wexpro are relatively stable but fluctuate somewhat for various reasons, including royalties and similar provisions that relate to market prices. Cost of service production is reported separately as Wexpro I and Wexpro II. The separation of the cost allows the Company and the Division to monitor and compare the total cost and production volume under the separate agreements. Wexpro I production has a projected cost of $193,183,651 at an average cost of $4.88 per Dth[15] including gathering costs. The volume from Wexpro I wells represents approximately 70.6% of the total cost-of-service production. Wexpro II production has a projected cost of

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[6] Exhibit 1.5, page 2, Column D, Line 3.
[7] Exhibit 1.5, page 6, Lines 11 – 16.
[8] Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[9] Exhibit 1.5, Page 1, Column E, Line 7.
[10] Exhibit 1.2, Page 3, Column C, Line 20 / Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[11] Exhibit 1.2, Page 4, Column C, Line 3 / Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[12] Exhibit 1.2, Page 4, Column C, Line 4 & 5 / Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[13] Exhibit 1.1, Page 2, Column C, Line 21.
[14] Exhibit 1.2, Page 3, Column D, Line 20.
[15] Exhibit 1.2, Page 3, Column D, Line 8.

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$66,589,841 at an average cost of $4.03 per Dth[16] including gathering and represents approximately 29.4% of total production. The cost-of-service gas production includes the operator service fee (OSF) payable to Wexpro of $234,420,031.[17] As part of its audit and review of the 191 account, the Division is reviewing the calculations and costs associated with the OSF in this filing as well as previous pass-through filings.

LNG Facility

The electricity costs for the LNG plant during test year amount to $2,359,693.[18] The electricity cost is calculated based on actual electricity costs through October of 2023 and an estimated cost for the month of November 2023.

Utah customers pay for the gas as it is withdrawn or used on the system but pay a return on the cost of the gas held in storage. The return on working storage gas balances is estimated to be $538,347 and is calculated based on the estimated amount held in the facility each month. If the tank is not filled or withdrawn as currently projected, the actual cost will vary and will be trued up as part of the 191 balancing account.

Docket No. 23-057-26

The Daily Transportation Imbalance Charge (TIC) filing is a request to adjust the imbalance charge calculation approved in Docket No. 14-057-31. The transportation imbalance charge began in February 2016 and is recalculated as part of each 191 pass-through filing. The current filing represents the second adjustment in 2023. The revised calculation is based on updated volumes through November 30, 2023. The Company's application requests an approximate 3.5% decrease in the daily transportation imbalance charge from the rate approved in the previous filing, Docket No. 23-057-04. During the twelve months ended

[16] Exhibit 1.2, Page 3, Column D, Line 13.
[17] Exhibit 1.2, Page 1, Line 12.
[18] DEU Exhibit 1.4, page 2, line 14

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November 30, 2023, TS customers paid approximately $1.150 million in imbalance charges, which were credited to GS customers through the 191 account.

In Docket No. 14-057-31, the Commission approved a supplier non-gas (SNG) rate 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 this rate is credited to GS customers through the 191 account. The rate is intended to charge transportation customers for SNG services when used and was implemented in part to improve the daily accuracy of the gas nomination process. Only customer nominations outside of the tolerance limit are assessed this charge. This is the second filing of the TIC in 2023 as specified by Commission order for this rate to be reviewed with each pass-through filing and the next general rate case.

The proposed new rate of $0.08869 per Dth is a 3.5% decrease from the current rate of $0.09187 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended November 30, 2023. The Division continues to review Exhibit 1.1, which includes the daily nomination and imbalance information for all transportation customers during this period and includes 429,348 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 notes the following.

1. The 19 largest contracts utilize 50% of the total transportation volume but only account for 24% 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

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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 114 of the largest contracts utilizing 80% of the total volume. These customers were more accurate in their nominations and account for 59% of the total imbalance charges.
3. The remaining customers represent only 20% of the total TS volume but represent 85% 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 TS volume, they have paid a larger portion of the penalty and represent 40% of the total Dth outside of the tolerance limit. Smaller transportation customers appear to primarily use natural gas 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 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 the collected penalty is being accurately credited to GS customers in the 191 account and will make recommendations if appropriate.

Conclusion

Although natural gas prices are trending lower the Company feels as though the current commodity rate structure is working to reduce the under-collected 191 account and will reduce the overall interest expense to GS. While this is different from what has been done

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in previous filings, the Division supports leaving the commodity rate at the current level to reduce the large under-collected balance.

The Division has reviewed the applications and recommends the Commission approve the proposed rates on an interim basis with an effective date of February 1, 2024. The proposed changes are in the public interest and represent just and reasonable interim rates for Utah customers.

cc: Kelly Mendenhall, Dominion Energy Utah
Austin Summers, Dominion Energy Utah
Jessica Ipson, Dominion Energy Utah
Michele Beck, Office of Consumer Services