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Comments

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: February 20, 2024

Re: **Docket No. 24-057-02**, Dominion Energy Utah's Application for Approval of a Special Contract with Snowbird Resort LLC.

Recommendation (Approval)

The Utah Division of Public Utilities (DPU or Division) recommends that the Public Service Commission of Utah (Commission) approve Dominion Energy Utah's (DEU or Company) Special Contract (Contract) with Snowbird Resorts, LLC (Snowbird).

Issue

Snowbird's current gas transportation services are governed by DEU's Tariff No. 600 under the Transportation Service Medium Rate Schedule (TSM).¹ DEU added a second meter to its system that serves Snowbird when it was renovating and updating its system (Renovation) at the Snowbird valve and meter. The stated purpose of the Renovation was to improve safety, efficiency, and capacity.² However, doing this inadvertently imposed three additional costs on Snowbird that, in sum, DEU calculated to add approximately

¹ Dominion Energy Utah, Utah Natural Gas Tariff PSCU 600, p. 5-12.

<https://cdn-dominionenergy-prd-001.azureedge.net/-/media/pdfs/utah/rates-and-tariffs/utah-tariff.pdf?la=en&rev=de7ba774c9d04a71b5222cd25bd8368&hash=8C569097E71812A0A692EB54A7D44FD>.

² See Docket No. 23-057-12 and in DEU's filing in this docket.

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█ annually to Snowbird's natural gas costs.³ These costs consist of an extra Basic Service Fee (BSF), an extra Administrative Charge (AC), and extra costs from measuring transported gas through two meters.⁴ Everything else being equal, this results in Snowbird being required to pay the higher, first block rate for the first 2,000 Decatherms (Dth) passing through each meter, instead of proceeding up the tiered rate schedule to lower per Dth rate, as the rates are designed to do in the TSM rate schedule.

DEU's Application⁵ ('24 Application) is asking the Commission to approve the Contract allowing it to deviate from its TSM tariff by charging Snowbird as if it still had one meter. DEU reasons that the expansion that added the second meter was in the public interest and would not impose any additional costs on other rate payers. And that it would be unfair to require Snowbird to pay for the second meter because Snowbird did not initiate, design, or directly benefit from the improvements and did not anticipate the increased costs associated with the second meter.⁶

Background

DEU originally asked⁷ the Commission to approve a special contract with Snowbird on July 28, 2023, in Docket 23-057-12. The background of that proceeding can be found in the DPU's Comments⁸ ('23 Comments) and the '24 Application.

The Commission's Order⁹ ('23 Order) in 23-057-12 denied DEU's application, citing several

³ DEU Exhibit 4.0, *Direct Testimony of Brad Simons for Dominion Energy [CONFIDENTIAL]*, Docket No. 24-057-02, January 16, 2024, p. 3.

<https://pscdocs.utah.gov/gas/24docs/2405702/331835RRdctdDEUExhbt4.0DirTestmBradSimonsDEU1-15-2024.pdf>.

⁴ Redacted DEU Exhibit 2.0, *Direct Testimony of Austin Summers for Dominion Energy*, Docket No. 24-057-02, January 16, 2024, p. 3.

<https://pscdocs.utah.gov/gas/24docs/2405702/331828RdctdDEUExhbt2.0DirTestmAustinSummersDEU1-16-2024.pdf>.

⁵ *Application*, Docket No. 24-057-02, January 16, 2024.

<https://pscdocs.utah.gov/gas/24docs/2405702/331825Aplctn1-16-2024.pdf>.

⁶ Redacted DEU Exhibit 2.0, January 16, 2024, p. 6.

⁷ *Application*, Docket No. 23-057-12, July 28, 2023.

<https://pscdocs.utah.gov/gas/23docs/2305712/328998Aplctn7-28-2023.pdf>.

⁸ *Comments from the Division of Public Utilities*, Docket No. 23-057-12, August 10, 2023.

<https://pscdocs.utah.gov/gas/23docs/2305712/329092DPUCmnts8-10-2023.pdf>.

⁹ Public Services Commission of Utah, *Order*, Docket No. 23-057-12, August 28, 2023, pp. 7-10.

<https://pscdocs.utah.gov/gas/23docs/2305712/3293812305712o8-28-2023.pdf>.

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deficiencies in the filing resulting in an insufficient record to support the '23 Application. Specifically:

1. DEU's assertions in the filing were unsupported by sworn testimony.
2. DEU did not provide sufficient evidence supporting several assertions made by DPU that the Commission deemed necessary to approve the special contract. This includes information on timelines, alternative designs, various costs associated with the project and the contract, and other issues.
3. DEU and DPU disagreed on whether the Contract would impose costs on DEU's other customers.
4. The docket's short time frame prevented proper fact finding and documentation needed to create a factual record.¹⁰

The '24 Application and supporting exhibits were filed on January 16, 2024. The '24 Application seeks to address the deficiencies the Commission identified in the '23 Order. On January 16, 2024, the Commission filed an Action Request¹¹ asking the DPU to review the DEU's request and make recommendations by February 15, 2024.

Discussion

DEU's '24 Application and exhibits adequately address the deficiencies that the Commission identified in the Company's filing in Docket 23-057-12.

DEU's Assertions are Properly Supported

The '24 Application includes sworn and notarized testimony from Company witnesses, namely: employees Austin Summers (Summers), Jason S. McGee (McGee), and Brad Simmons (Simmons, collectively Testimonies).¹²

- The Renovation's history, underlying rationale, costs, delays, and alternate designs

¹⁰ *Id.* pp. 8 – 10.

¹¹ Public Services Commission of Utah, *Action Request*, Docket No. 24-057-02, January 16, 2024. <https://pscdocs.utah.gov/gas/24docs/2405702/331839ActnRqstFeb1520241-16-2024.pdf>.

¹² See Application of Dominion Energy Utah for Approval of a Special Contract with Snowbird, LLC, Docket No. 24-037-02, January 16, 2024. <https://psc.utah.gov/2024/01/17/docket-no-24-057-02/>.

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were explained by McGee.¹³

- The additional costs that Snowbird would pay because of the second meter, their calculations, and when the Company and Snowbird became aware of them were explained by Simons.¹⁴
- The Basic Service Fee (BSF) and Administrative Charge (AC), what they are intended to pay for, and how they are accounted for were explained by Summers¹⁵. Mr. Summers also explains how the Contract will not impact other customers and presents DEU's argument that the Contract is just and reasonable.

DEU has Provided Evidence Missing from the Last Filing

The Testimonies also confirm information provided by the DPU in its '23 Comments¹⁶ that the Commission found useful but insufficiently substantiated.¹⁷

Summers' Testimony

- Summers' testimony explains that the BSF and AC are both fixed monthly charges billed to each transportation based on the number of customer's meters. BSF is meant to pay for the capital expense of mains, service lines, and meters and their depreciation.¹⁸ AC is meant to recover labor costs incurred by serving each transportation customer as determined by the meter(s) of that particular customer.¹⁹
- Summers' testimony then presents DEU's argument that Snowbird should not have

¹³ See DEU Exhibit 3.0, *Direct Testimony of Jason S. McGee of Dominion Energy Utah [CONFIDENTIAL]*, Docket No. 24-057-02, January 16, 2024. <https://pscdocs.utah.gov/gas/24docs/2405702/331831RdctdDEUExhbt3.0DirTestmJasonMcGeeDEU1-16-2024.pdf>.

¹⁴ Direct Testimony of Brad Simons for Dominion Energy [CONFIDENTIAL], Docket No. 24-057-02, January 16, 2024.

¹⁵ See DEU Exhibit 2.0, *Direct Testimony of Austin C. Summers for Dominion Energy Utah [CONFIDENTIAL]*, Docket No. 24-057-02, January 16, 2024. <https://pscdocs.utah.gov/gas/24docs/2405702/331828RdctdDEUExhbt2.0DirTestmAustinSummersDEU1-16-2024.pdf>.

¹⁶ Commends from the Division of Public Utilities, Docket No. 23-057-12.

¹⁷ *Order*, Docket No. 23-057-12, p. 8.

¹⁸ Direct Testimony of Austin Summers for Dominion Energy [CONFIDENTIAL], Docket No. 24-057-02, January 16, 2024, p. 2.

¹⁹ *Id.*

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to pay these charges or the extra volumetric charges in this instance.²⁰ This is discussed below.

- Summers' testimony explains DEU's argument that the Agreement is not retroactive rate making but rather the waiver of tariff provisions.²¹ The DPU agrees, reasoning that if the Commission rules that it is unjust and unreasonable for Snowbird to pay the increased costs after the Agreement is approved, it is similarly unfair and unjust to pay them before the Agreement is approved.
- Summers' testimony explains why the Agreement's approval will not incentivize similar special agreements in the future, reasoning that Snowbird's situation is unique and unlikely to be repeated elsewhere.²² From the evidence presented, it appears that there is little incentive for the Company to seek out special agreements like this because they impose higher costs on the Company in the short term (the period until a general rate case) and don't provide extra revenue in the long term (the period after a general rate case) when compared to an unmodified tariff.
- Finally, Summers explains that the Agreement will not alter the bills of other customers because its costs, like all other system improvements, will be added to rate base and paid for by all customers just like the rest of the rate base.²³ This is discussed below.

McGee's Testimony

- McGee's testimony adequately outlines the Renovation's relevant timeline from the construction of the original facility in 1986²⁴ through its completion in October 2023.²⁵
- McGee's testimony also explains why this construction option was chosen, the limitations imposed by the site, and the lack of more economic alternatives.²⁶ The DPU finds this explanation credible and has visited the site several times and can

²⁰ *Id.* p. 3.

²¹ *Id.* p. 6.

²² *Id.*

²³ *Id.* p. 5.

²⁴ DEU Exhibit 3.0, Direct Testimony of Jason S. McGee of Dominion Energy Utah [CONFIDENTIAL], Docket No. 24-057-02, January 16, 2024, p.1.

²⁵ *Id.* p. 7.

²⁶ *Id.* p. 4 – 5.

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verify the observable constraints described by Mr. McGee.

- McGee’s testimony also provides general information about the Renovation’s estimated construction costs²⁷ and the easement that DEU purchased from Snowbird for the new building. McGee notes, without complete explanation, that the cost of acquiring the property instead of the easement would have exceeded the amount of revenue lost by adopting the Agreement.²⁸ There is insufficient evidence to confirm this and absent an explicit contract between Snowbird and DEU, the DPU doesn’t believe this should be a factor in the Commission’s decision to approve or disapprove the Agreement. The construction costs will be verified during the Company’s next general rate case as needed. DEU indicates that the price of the easement is well below market value and serves the interests of ratepayers.
- McGee also explained the rationale for two meters instead on one²⁹ and why the Company believed that the project was necessary in the first place.³⁰ The DPU finds these explanations adequately persuasive and does not dispute DEU’s assertions that two meters were appropriate for this project or that the project was needed for the reasons outlined by McGee.

Simons’ Testimony

- Simons’ testimony explains how, at the time, DEU failed to realize the cost implications of the Renovation for Snowbird³¹ and how the additional costs imposed on Snowbird by the additional meter were calculated.³² These calculations appear to be correct as found in Simons’ sworn testimony.

The Division reviewed the copy of the Contract filed in Docket No. 23-057-12 and this docket. They are identical in substance and vary only slightly in format.

²⁷ *Id.* p. 4.

²⁸ *Id.* p. 6.

²⁹ *Id.* p. 3.

³⁰ *Id.* p. 4.

³¹ Direct Testimony of Brad Simons for Dominion Energy [CONFIDENTIAL], Docket No. 24-057-02, January 16, 2024, p. 1 - 2.

³² *Id.* p. 2 – 3.

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The DPU finds that DEU has provided the information requested by the Commission in its order in Docket No. 23-057-12, that this information is sufficient to determine whether to approve the Agreement, and it is properly attested to by qualified witnesses.

The Contract will not Impose Costs on DEU's Customers

The DPU has thoroughly examined DEU's Tariff and Chart of Accounts and is now confident that none of the revenue foregone from the Contract will affect the rates of DEU's customers. Neither the Basic Service Fee, Administrative Charge, or volumetric charges that DEU would not be collecting under the Contract flow into any kind of balancing account where they would affect rates. This evaluation was confirmed by DEU in an email exchange with Austin Summers, who also provided sworn testimony in this case. So, until the Company's next rate case, the reduced revenue resulting from the Contract will decrease DEU's profits, not increase customer rates.

The DPU expects that the Company will add the Renovation costs to its rate base in its next rate case.³³ It is normal and appropriate for a regulated utility to ask the Commission to add the cost of system improvements to a utility's rate base and, based on what is known now, the DPU sees no reason why it would oppose approval. However, if rates in DEU's next General Rate Case (GRC) are calculated without the revenue that Snowbird would have normally paid for having the second meter, all other customers' rates will go up to cover that loss. The impact of this on other ratepayers is expected to be small and could not be calculated accurately outside of the context of a GRC where all system expenses are included. This factor is outweighed by the unjust and unreasonable harm that rejecting the agreement would have on Snowbird. This is discussed below.

Sufficient Time was Available to Adequately Evaluate the Contract

Sufficient time was available to investigate and gather information to adequately make recommendations on this issue. As noted above, DEU filed its new Application on January

³³ Direct Testimony of Austin Summers for Dominion Energy [CONFIDENTIAL], Docket No. 24-057-02, January 16, 2024, p. 4.

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16, 2024, and the Commission set a deadline of February 15, 2024, for the DPU's Action Response Request. Much of the research and analysis required to understand the Contract had already been done after DEU first filed for Commission approval on July 28, 2023, and the DPU has completed its work in this docket.

The Contract is Just, Reasonable, and in the Public Interest

DEU initiated the Renovation, design, permits, and construction. The Company and rate payers in general have benefited from the Renovation's increased safety and ease of maintenance. Snowbird cooperated with DEU's efforts by offering the Company (and ratepayers) favorable terms for the easement needed to complete the Renovation. Snowbird did not ask for the Renovation and was unaware of the additional charges until after it had been completed. Snowbird should not pay for DEU's error, or lack of understanding, in this instance and the Company should absorb the costs of this type of error until its next GRC when all items can be examined. The Company has made assurances that something similar will not happen again.

Conclusion

The Company has presented sufficient and accurate information that the Commission required in the previous docket on this issue, and the details are now properly supported. It would be unjust for Snowbird to pay additional costs for a design that it had no input in and was not the primary beneficiary of. The Division recommends that the Commission approve the Agreement between DEU and Snowbird.

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