UTAH DEPARTMENT OF COMMERCE
Division of Public Utilities

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## Initial 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
Ryan Daigle, Utility Analyst

**Date:** June 19, 2024

**Re:** **Docket No. 24-057-08,** Enbridge Gas Utah's Application for an Adjustment to the Daily Transportation Imbalance Charge.
**Docket No. 24-057-09,** Enbridge Gas Utah's Adjustment in Rates and Charges to the 191 Pass-Through.

## 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, Enbridge Gas Utah's (Enbridge or Company) requested rate changes in Docket Nos. 24-057-08 and 24-057-09. The Division finds applying these interim rates to be just, reasonable, and in the public interest. The Division supports the Company's requested effective date of July 1, 2024. The Division acknowledges the Supplemental Information and Corrected EGU Exhibits filed on June 13, 2024, requesting the approval of both applications earlier than the requirement established in Utah Code Ann. § 54-3-3.

## Issue

On June 3, 2024, Enbridge filed two applications with the Commission in these dockets. On June 11, 2024, the Commission held a scheduling conference to address both dockets. The Commission's Scheduling Order established June 19, 2024, as the date the Division and

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other parties would file comments. This memo is the Division's initial comments for Docket Nos. 24-057-08 & 24-057-09.

## Docket No. 24-057-09

Enbridge's 191 Pass-Through filing is a request for Commission approval for a decrease of $479,543,728[1] to the Utah natural gas rates. The driving force behind this decrease is the drastic reduction in the base gas cost due to lower market prices and removal of the debit commodity amortization rate for the previously under-collected balance in the 191 account. If the Commission approves the proposed rate, a typical GS customer using 70 dekatherms (Dth) per year will see a decrease in their total annual bill of $277.44 or 29.53%.[2]

### LNG Facility

In this application, Enbridge states that it plans to fill the LNG storage tank during the test period, at an estimated total cost of $569,840[3] with a storage adjustment of $371,629[4] for the timing difference between when LNG is injected into and subsequently withdrawn from the LNG storage tank. Utah customers pay for the gas as it is withdrawn or used on the system but also pay a return on the value of the gas held in storage. The return on working storage gas balances is estimated to be $328,276[5] and is calculated based on the estimated amount held in the LNG facility each month. If the tank is not filled or withdrawn as forecasted and currently projected, the actual cost will vary and will be trued up as part of the 191 balancing Account.

The LNG Facility requires a significant amount of electricity to cool and liquefy the natural gas. The cost of electricity needed to run the LNG facility is based on the volume of dekatherms liquefied and injected into storage. For the test year, electricity costs at the LNG plant are estimated to be $1,661,344[6] and are included in the Supplier Non-Gas (SNG) cost

[1] Pass-Through Application, Paragraph 1.
[2] Pass-Through Application, Paragraph 1.
[3] Exhibit 1.2, Page 6, Column B, Line 1.
[4] Exhibit 1.2, Page 6, Column B, Line 4.
[5] Exhibit 1.2, Page 6, Column D, Line 18.
[6] Exhibit 1.4, Page 2, Column F, Line 14.

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of this application. The Commission approved the LNG electricity cost in a previous 191 pass-through application.

**Rate Details**

The Utah gas costs in the previous filing, Docket No. 23-057-25, were $847,954,472[7] with a forecast test year ending January 31, 2025. This filing is based on projected Utah gas costs of $646,890,205 for the forecast test year ending June 30, 2025.[8]

This filing represents a decrease in the forecast price and a significantly reduced under-collected balance in the 191 Account from previous periods. The proposed rate would reduce the base gas cost from $6.58934 to $4.59173 and eliminate the debit commodity amortization rate taking it from $1.95949 to $0.00000. The debit commodity amortization rate contributed significantly to the reduction of the under-collected 191 Account balance.

As a re-cap of the 191 Account balance changes through the last few filings, in December of 2022, the under-collected amount increased to approximately $225 million, by February 28, 2023, the under-collected balance reached $539 million, by November 2023, the 191 Account was reduced to $313 million under-collected, and as of this filing the under-collected commodity balance is approximately $5 million. As stated in the application, Enbridge expects the 191 account to be fully collected by the requested effective date of this filing. Enbridge proposes to reduce the base gas cost and remove the debit commodity amortization rate due to the drastic reduction in the under-collected 191 account balance to only $5 million dollars. As was anticipated, the under-collected balance was significantly reduced during the most recent winter heating season due to extremely favorable conditions including a mild winter and low natural gas prices.

**Tariff Change**

In this filing, Enbridge proposes to change the frequency of filing the 191 Pass-Through and the Transportation Imbalance Charge (TIC) from the historically established semiannual filings down to one filing per year. For the following reasons, the Division does not support

[7] Docket No. 23-057-25, Exhibit 1.1, Page 2, Column E, Line 21.
[8] Exhibit 1.1, Page 2, Column E, Line 21.

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the proposed change and recommends the Commission not approve the Company's requested tariff change concerning the frequency of filings and that the Company continue filing at least semi-annually. Historically, the spring filing provides an opportunity to review the actual gas usage and actual gas cost from the previous heating season and determine appropriate rates. While the volume of gas used during the summer months is low, there is a benefit to reviewing the under or over-collected balance in the 191 Account. The fall filing allows the Company to adjust rates based on the current forecast for gas prices that are anticipated in the next heating season. With the recent volatility in the natural gas market noted in the Company's filing, a change to annual filings appears to be premature at this time. A change in the filing requirement may also be premature with the recent purchase of the utility by Enbridge. For the reasons provided above, the Division suggests the Commission retain the current Tariff language in §2.06 and not approve this requested tariff change.

**RIN Proceeds from CNG**

Natural Gas Vehicle (NGV) customers Renewable Identification Numbers (RIN) proceeds were generated through renewable natural gas (RNG) sales at the Company's compressed natural gas (CNG) stations. In EGU's application, the RIN proceeds of approximately $163,551 are expected to be amortized by July 1, 2024, with an amount of $24,181 remaining to be amortized. New RIN proceeds from September 2022 to April 2024 total $287,880, and when accounting for the amount remaining to be amortized during the test period this equates to $263,699.

**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

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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 $91,293,628[9] less the $14,775,136[10] amortization of the over-collected amount from the previous period for a total of $76,518,492.[11] The Division will continue to review the SNG portion of rates in an attempt to determine why SNG rates are significantly over-collected.

**Gas Supply**

For the test year, July 1, 2024, through June 30, 2025, the Company is projecting a total system requirement of 129,256,296 Dths.[12] Of the total requirement, 124,660,825 Dths[13] will be used to meet the projected sales requirement. Approximately 38.6%[14] of the annual gas requirement will be satisfied with the Wexpro cost-of-service production, 29.4%[15] will be satisfied under current purchase contracts and 32.0%[16] will be purchased through future contracts and spot market transactions. The total expected natural gas cost for the test year is $666,490,909 million.[17]

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

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The cost-of-service gas from all Wexpro production is projected to cost $223,349,587 at an average cost of $4.48 per Dth.[18] The price for cost-of-service gas from Wexpro has been relatively stable but fluctuates somewhat for various reasons, including royalties and similar provisions related 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 $146,078,109 at an average cost of $4.80 per Dth[19] including gathering costs. The volume from Wexpro I wells represents approximately 61.0% of the total cost-of-service production. Wexpro II production has a projected cost of $77,271,478 at an average cost of $3.98 per Dth[20] including gathering and represents approximately 39.0% of total production. The cost-of-service gas production includes the operator service fee (OSF) payable to Wexpro of $216,526,697.[21] 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.

**Forecast Natural Gas Prices**

The market price forecast anticipates an average natural gas price of [redacted] per Dth during the summer months and [redacted] per Dth in the winter months and is based on an average of future price projection from two different forecasting entities, Platts NYMEX Forward Curve and S&P Global Platts. The two price forecasts along with the average of the two are provided in Chart 1 below. The two forecasts have more variation during the winter heating season and are fairly close during the shoulder months and during the summer.

[18] Exhibit 1.2, Page 3, Column D, Line 20.
[19] Exhibit 1.2, Page 3, Column D, Line 8.
[20] Exhibit 1.2, Page 3, Column D, Line 13.
[21] Exhibit 1.2, Page 1, Line 12.

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**Chart 1-CONFIDENTIAL**

[redacted]

Chart 2 provides a comparison of local market price to the forecasted pricing averages from the historically used IHS Markit and S&P Global Platts, along with the Platts NYMEX Forward Curve data. The solid line is the historical first-of-month natural gas spot price for the Opal, Wyoming (Opal FOM) market. The dashed lines are forecast averages of market prices from the current filing and previous filings. It is important to show the recent volatility in the market to provide a comparison to the forecast prices and actual FOM prices as these have a dramatic effect on the 191 Account balance.

**Chart 2-CONFIDENTIAL**

[redacted]

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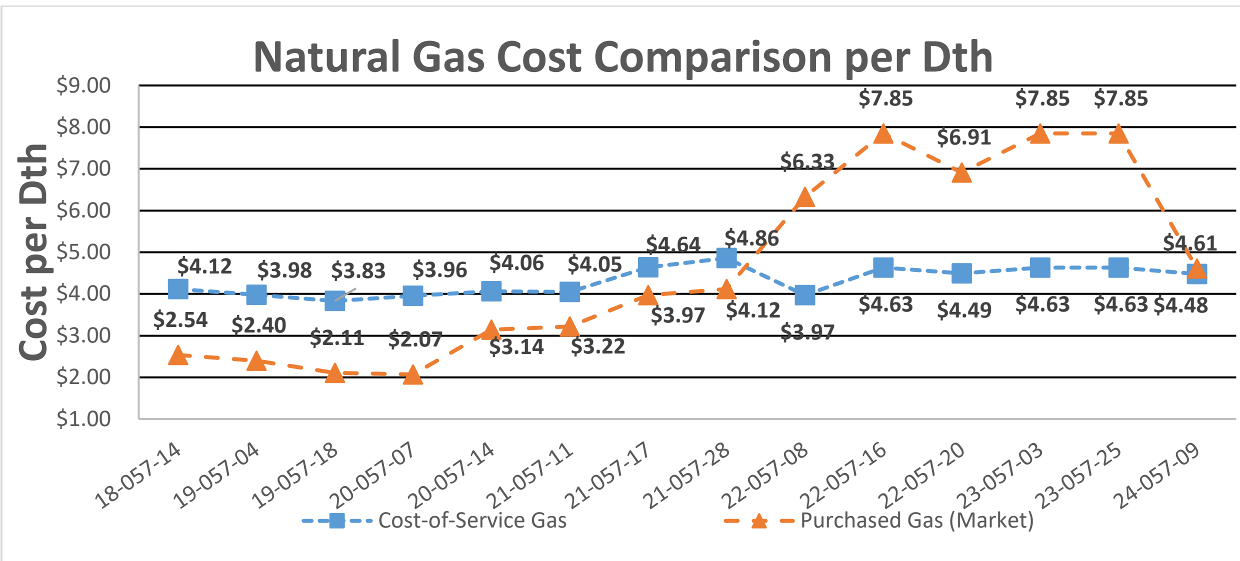
### Comparison to the Previous Filing

The Company's application provides a forecast of anticipated costs and revenue for the test year in Exhibit 1.2. A comparison between the projected natural gas costs of the current filing and previous filings is provided below in Chart 3. After a period of elevated market purchases, the cost has begun trending back towards historical norms.

**Chart 3**




## Docket No. 24-057-08

Enbridge's 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 first adjustment in 2024. The revised calculation is based on updated volumes through April 30, 2024. The Company's application requests an approximate 21.0% decrease in the daily transportation imbalance charge from the rate approved in the previous filing, Docket No. 23-057-26. During the twelve months ended April 30, 2024, TS customers paid approximately $1.037 million in imbalance charges, which were credited to GS customers through the 191 Account.

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In Docket No. 14-057-31, the Commission approved a supplier non-gas (SNG) rate for 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 first filing of the TIC in 2024 as specified by Commission order for this rate to be reviewed with each pass-through filing and the next general rate case. Within this filing, the Division noticed a change in the composition of the filing exhibits where previously provided information was omitted, namely the “Volumetric Rate” located in EG Exhibit 1.1 in the Exhibit 1.1 tab and the Commission to order EGU to continue to file all exhibits as were historically provided.

The proposed new rate of $0.07008 per Dth is an approximately 21.0% decrease from the current rate of $0.08869 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended April 30, 2024. 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 420,322 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 20 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 136 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 83% 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 38% 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.

Unless authorized by the Commission, new Tariff sheets shall become effective after no less than 30 calendar days after the filed date pursuant to Utah Code Ann. §54-3-3. Enbridge's request for an effective date of July 1, 2024, is less than 30 days from the filed date. Given the outcome of this filing is a significant decrease in customer rates, the Division would support an exception to the 30-day filing requirement under Utah Code section 54-3-3.

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## Conclusion

As stated in the Application, EGU expects the 191 balance to be fully collected by the proposed effective date. With the changes proposed in the Application the typical GS customer using 70 Dths per year will see a decrease in their total annual bill of $277.44 or 29.53%.

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

cc: Kelly Mendenhall, Enbridge Gas Utah
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Michele Beck, Office of Consumer Services