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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

PASS-THROUGH APPLICATION OF ENBRIDGE GAS UTAH FOR AN ADJUSTMENT IN RATES AND CHARGES FOR NATURAL GAS SERVICE IN UTAH	Docket No. 24-057-09 ENBRIDGE GAS UTAH'S REPLY COMMENTS

Questar Gas Company dba Enbridge Gas Utah ("Enbridge Gas Utah" or "Company") respectfully submits these Reply Comments to the Action Request Response issued by the Utah Division of Public Utilities ("Division") on June 19, 2024, in the above-referenced docket ("Division's Comments").

BACKGROUND

On June 3, 2024, the Company filed its Application to decrease rates in this docket, its first Pass-through filing of 2024. On June 13, 2024, the Utah Public Service Commission ("Commission") issued a Scheduling Order and Notice of Virtual Hearing which set a deadline of June 19, 2024, for interested parties to file comments, and a deadline of June 20, 2024, for reply comments. On June 13, 2024, the Company filed a Submission of Supplemental Information and Corrected Confidential EGU Exhibit 1.3 and Corrected EGU Exhibits 1.7 and 1.8. On June 19, 2024, the Division filed its Comments. The Company respectfully submits this Reply in response to the Division's Comments.

DISCUSSION

The Company's Utah Natural Gas Tariff No. 700[1] ("Tariff") includes a requirement that commodity and Supplier Non-Gas ("SNG") costs will be determined in a Pass-Through Application "No less frequently than semi-annually." Tariff at §2.06. In the Company's Application, it proposed to change this Tariff requirement such that the Pass-Through applications would be filed "At least once each calendar year."

Several utility rate principles find broad acceptance in the recognized literature on utility ratemaking and regulatory policy developed by James Bonbright in *Principles of Public Utility Rates*. The Company adheres to these principles in choosing the timing of its pass-through cases. Allowing flexibility in such timing permits the Company to ensure stability of rates, while still managing the 191 account balance, in accord with Bonbright's principle of stability of rates. Sometimes, fewer adjustments to rates would be beneficial to customers, as it has been over the last 18 months. The proposed Tariff change would allow the Company to continue to monitor the balance in the 191 account and forecast of natural gas prices to determine if an adjustment to rates needs to be made more or less frequently. This flexibility will ultimately benefit ratepayers by offering more stable rates, and it will benefit regulators and the Company by eliminating the any unnecessary administrative and regulatory burden of making unnecessary filings.

The Division opposes this change, saying that "Enbridge proposes to change the frequency of filing the Pass-Through and the Transportation Imbalance Charge (TIC) from the historically established semiannual filings down to one filing per year." Division's Comments at p.3. The

[1] Pending Commission Approval of Docket No. 24-057-T03.

Company is not proposing to simply file once per year. It is proposing to file *at least* once per year. The Company will still monitor the balances in the 191 account as well as the ongoing prices of natural gas to determine if multiple applications would be beneficial in any given year. If more frequent filings are appropriate, the Company will file more frequently. In fact, the Company anticipates that it will usually file more than once each year, but the proposed Tariff language allows some flexibility in years where management of the 191 account would be best accomplished by not adjusting rates as frequently.

In the Division's Comments, it provided four reasons for its opposition to the Company's proposal:

1) 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.
2) 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.
3) 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.
4) A change in the filing requirement may also be premature with the recent purchase of the utility by Enbridge.

Division's Comments at p. 4.

The Company will address each of these reasons individually below.

A. The Spring Filing

The Division's Comments say that "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." *Id.* While the Company frequently reviews the over and under-collected balances in the 191 account, it is unclear what benefit is derived from more frequent applications for rate adjustments based upon that balance. Indeed, in addition to its own regular review, the Company provides the Division with monthly reports that detail activity in the 191 account balance, actual gas usage, and actual gas costs from the previous heating season. The Division, too, has ample opportunity to review those balances, and participates in discussions about those balances with Company personnel. An application seeking to adjust rates when the balances do not warrant a rate adjustment is inefficient and unnecessary and provides no apparent benefit.

B. The Fall Filing

The Division's correctly notes that 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. However, this is true of any Pass-Through, filed at any point of the year. Every Pass-Through sets base rates based on forecasted gas prices for the upcoming 12 months, and allows rates to be adjusted based on the current forecast for gas prices that are anticipated in the next heating season. Each Pass-Through filing also amortizes the existing under or over-collected balance in the 191 account. Similar to the base rates, the amortization rates are set to reduce a balance over a period of 12 months. If a spring Pass-Through rate adjustment effectively manages the balance in the 191 account, a fall filing may be unnecessary. If additional filings offer benefit, the Company will make the filings. Requiring additional filings that offer no benefit creates inefficiencies and administrative burdens for all parties and the Commission.

C. Volatility in Rates

The Division's suggestion that volatility warrants denial of the Company's request is misplaced. The proposed Tariff language provides the Company with the flexibility to make as many or as few filings as necessary to effectively manage the 191 account balance. In some years, the Company may file three Pass-Through applications, like it did in 2022, when gas prices were climbing. In years like 2023, when the 191 account balance peaked, the Company would have the flexibility to work with the Division and the Office of Consumer Services ("Office"), as it always has, to ensure that filings minimized impacts to customers. Indeed, this collaborative approach led to base commodity rates remaining unchanged since November of 2022 and 191 amortization rates remaining unchanged since March of 2023, allowing the under-collected $539 million to be fully recovered. The Company's approach during this timeframe is atypical, but avoided greater volatility for customers, while still reducing the 191 account balance and interest expense to customers. The proposed Tariff change will allow maximum filing flexibility and reduce unnecessary administrative burdens of filing a pass through when a rate change is not needed.

D. The Purchase of the Utility by Enbridge

It is unclear how the Division believes the recent purchase of Enbridge Gas Utah would have any impact on the Pass-Through filings or would result in some need for more frequent filings. There is nothing about the purchase that has any effect on the Pass-Through process, the collection of revenue, gas purchases, or anything else that affects the 191 account balance. The Company will continue to manage the 191 account balance as it always has, to collaborate with the Division and the Office as it always has, and to file Pass-Through applications as often as necessary as it always has. Nothing related to the recent ownership change will in any way change these practices.

CONCLUSION

The Company is proposing to update the Tariff language to reduce the administrative burden for all parties involved, providing administrative simplicity if the 191 account balance or forecast of natural gas prices do not indicate a need for a change of rates. The Company recognizes that this is a departure from historic practices. However, history has also shown that multiple filings in one year may not be needed and this proposal still allows the Company the flexibility to file more frequently or less frequently, as needed.

The Company therefore respectfully requests that the Commission accept the proposed Tariff change and approve the rates proposed in this Docket with an effective date of July 1, 2024.

DATED this 20th day of June 2024.

Respectfully submitted,

ENBRIDGE GAS UTAH

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of Enbridge Gas Utah's Reply Comments was served upon the following persons by e-mail on June 20, 2024:

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