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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: October 21, 2024

Re: **Docket No. 24-057-16, Enbridge Gas Utah's** Adjustment in Rates and Charges to the 191 Pass-Through
Docket No. 24-057-17, Enbridge Gas Utah's Application for an Adjustment to the Daily Transportation Imbalance Charge
Docket No. 24-057-19, Enbridge Gas Utah's Amortization of the Conservation Enabling Tariff
Docket No. 24-057-20, Enbridge Gas Utah's Adjustment to the Low-Income/Energy Assistance Rate

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. 24-057-16, and 24-057-17. The Division finds applying these interim rates to be just, reasonable, and in the public interest. Docket Nos. 24-057-19, and 24-057-20 do not require interim rate approval. In addition to the dockets addressed in this memo, Enbridge Gas Utah (EGU or Company) simultaneously filed two additional applications, Docket Nos. 24-057-18 (Energy Efficiency deferred account balance) and 24-057-21 (Infrastructure Rate Adjustment). The Division supports the Company's requested effective date of November 1, 2024 for all applications filed on October 1, 2024.

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Issue

On October 1, 2024, Enbridge filed six applications with the Commission. On October 7, 2024, the Commission held a scheduling conference and established October 21, 2024, as the date the Division and other parties to file comments. This memo represents the Division's initial comments for Docket Nos. 24-057-16, 24-057-17, 24-057-19, & 24-057-20.

Docket No. 24-057-16

Enbridge's 191 Pass-Through filing is a request for Commission approval for a decrease of $39,563,164[1] to the Utah natural gas rates. The driving force behind this decrease are the lower commodity price forecasts within the test period. 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 $22.82 or 3.45%.[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 $688,631[3] with a storage adjustment of $414,399[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 $388,478[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 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

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[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.

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plant are estimated to be $2,535,680[6] and are included in the Supplier Non-Gas (SNG) cost 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. 24-057-09, were $646,890,205[7] with a forecast test year ending June 30, 2025. This filing is based on projected Utah gas costs of $608,417,569 for the forecast test year ending October 31, 2025.[8]

This filing represents a decrease in the forecast price and an over-collected balance in the 191 Account from previous filings. The proposed rate would reduce the base gas cost from $4.59173 to $4.25170

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 over-collected commodity balance is approximately $38 million. Enbridge proposes reducing the base gas cost and to keep the debit commodity amortization rate at $0.0000. The Company states that leaving the amortization rate as it was previously approved in Docket No. 24-057-09 will "help avoid unnecessary rate volatility and increase rate stabilization."[9]

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 $69,974 are expected to be amortized by November 1, 2024, with an amount of $193,725 remaining to amortized. New RIN proceeds from May to August 2024 total $74,383, and

[6] Exhibit 1.4, Page 2, Column F, Line 14.
[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.
[9] Pass-Through Application, Page 7, Paragraph 17.

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when accounting for the amount remaining to be amortized during the test period equates to $268,108.[10]

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 $93,039,653[11] less the $14,775,136[12] amortization of the over-collected amount from the previous period for a total of $78,264,517.[13]

Gas Supply

For the test year, November 1, 2024, through October 31, 2025, the Company is projecting a total system requirement of 128,417,057 Dths.[14] Of the total requirement, 124,879,119

[10] Exhibit 1.05, Page 1, Footnote 4.
[11] Exhibit 1.5, page 2, Column D, Line 1.
[12] Exhibit 1.5, page 2, Column D, Line 2.
[13] Exhibit 1.5, page 2, Column D, Line 3.
[14] Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.

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Dths[15] will be used to meet the projected sales requirement. Approximately 44.9%[16] of the annual gas requirement will be satisfied with the Wexpro cost-of-service production, 29.6%[17] will be satisfied under current purchase contracts and 25.5%[18] will be purchased through future contracts and spot market transactions. The total expected natural gas cost for the test year is $626,666,192 million.[19]

The cost-of-service gas from all Wexpro production is projected to cost $235,167,531 at an average cost of $4.08 per Dth.[20] 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. The 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 $154,474,505 at an average cost of $4.05 per Dth[21] including gathering costs. The volume from Wexpro I wells represents approximately 66.2% of the total cost-of-service production. Wexpro II production has a projected cost of $80,693,027 at an average cost of $4.13 per Dth[22] including gathering and represents approximately 33.8% of total production. The cost-of-service gas production includes the operator service fee (OSF) payable to Wexpro of $220,577,426.[23] 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.

[15] Exhibit 1.5, Page 1, Column E, Line 7.
[16] Exhibit 1.2, Page 3, Column C, Line 20 / Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[17] Exhibit 1.2, Page 4, Column C, Line 3 / Exhibit 1.2, Page 3, Column C, Line 20 + Page 4, Column C, Line 6.
[18] 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.
[19] Exhibit 1.1, Page 2, Column C, Line 21.
[20] Exhibit 1.2, Page 3, Column D, Line 20.
[21] Exhibit 1.2, Page 3, Column D, Line 8.
[22] Exhibit 1.2, Page 3, Column D, Line 13.
[23] Exhibit 1.2, Page 1, Line 12.

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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 projections 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.

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 dashed line is the historical first-of-month natural gas spot price for the Opal, Wyoming (Opal FOM) market. The solid 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.

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Chart 2-CONFIDENTIAL

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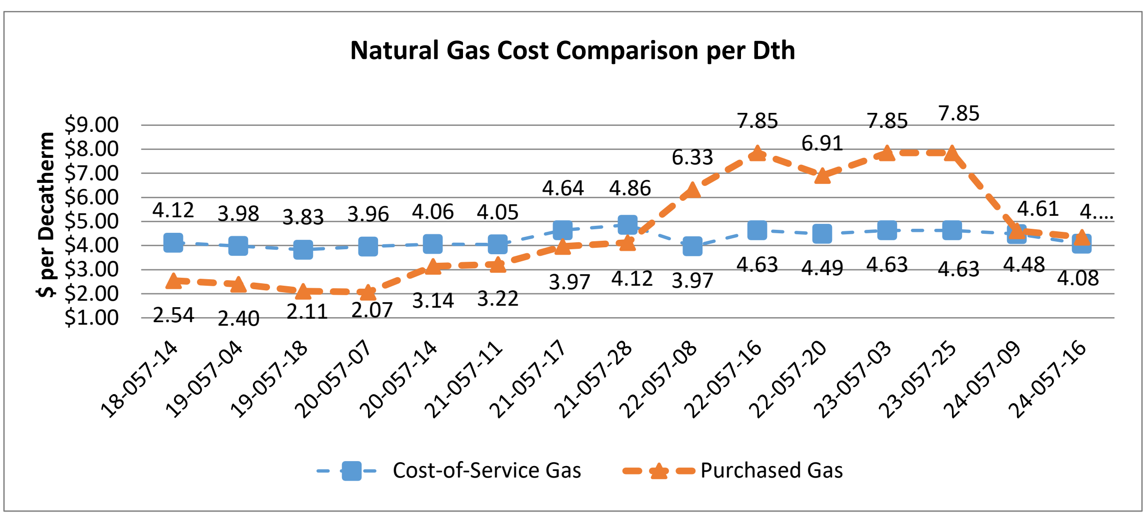
Comparison to the Previous Filing

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 and continues that trend with this filing.

Chart 3



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Docket No. 24-057-17

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 revised calculation is based on updated volumes through August 31, 2024. The Company's application requests an approximate 0.4% decrease in the daily transportation imbalance charge from the rate approved in the previous filing, Docket No. 24-057-08. During the twelve months ended August 31, 2024, TS customers paid approximately $1 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 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 second filing of the TIC in 2024. As specified by Commission order, this rate is to be reviewed with each pass-through filing and the next general rate case. The information requested by the Division in Docket No. 24-057-08, and subsequently approved by Order, was not initially provided, but after contacting the Company the updated exhibit was received the same day.

The proposed new rate of $0.06982 per Dth is an approximately 0.4% decrease from the current rate of $0.07008 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended August 31, 2024. In the Company's Application this rate was incorrectly listed as $0.07009 due to incorrectly pasted values in their EGU Exhibit 1.1 file. 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 540,849 lines of information.

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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 [redacted] largest contracts utilize approximately [redacted] of the total transportation volume but only account for [redacted] 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 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 [redacted] of the largest contracts utilizing [redacted] of the total volume. These customers were more accurate in their nominations and account for approximately [redacted] of the total imbalance charges.
3. The remaining customers represent only [redacted] of the total TS volume but represent approximately [redacted]% 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 [redacted]% of the total TS volume, they have paid a larger portion of the penalty and represent approximately [redacted]% 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.

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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.

Docket No. 24-057-19 – The Conservation Enabling Tariff (CET)

The CET filing is a request to amortize the August 2024 over-collected 191.9 account balance of $22,638,516. This continues to be a significant over-collection when compared to historical filings. The previous filing was an amortization of the $23,341,052 over-collection. If approved a typical GS residential customer will see an annual increase of $0.69 or 0.10%.

Background

The CET was originally authorized as a pilot program in 2006[24] and was approved as a permanent program in 2010.[25] The CET is a mechanism designed to ensure the Company collects from GS customers only the Commission authorized revenue per customer. Tariff §2.08 sets forth procedures for recovering the allowed distribution non-gas (DNG) revenue per customer by means or periodic adjustments to rates. The rate change in this Docket affect only the CET component of the distribution non-gas (DNG) rates of the GS rate class.

Discussion

As noted above, the CET is over-collected by $22,638,516, which is only slightly smaller than the previous filing of $23,341,052 over-collected. The recent over-collection is much larger than historical filings. Based on discussions with the Company, variability in actual usage by customers which diverge from the estimated test year forecast will lead to over or under-collection. The Weather Normalization mechanism also has limitations when the actual weather conditions trend higher or lower than the forecast test year values.

[24] Docket No. 05-057-T01, Order Approving Settlement, October 5, 2006, page 15.
[25] Docket No. 09-057-16. Report and Order, June 3, 2010, page 22.

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Temperature swings and usage variability can lead to large swings in over/under-collection. The consistent over-collection is likely due to a combination of the rate change from the General Rate Case (GRC) which became effective in January 2023 and inconsistencies between the Company's estimation of expected customer usage and the actual usage. The Division has been in discussions with the Company on both the CET and the Weather Normalization Program and will continue to review and monitor both programs. Both programs need further study with possible changes proposed in future rate case filings. Even though proposed rate adjustment represents an increase of $0.69 (or 0.10%) rate payers will still receive a credit on their bill as the previous decrease was a $17.92 refund to customers of the over-collected amount.

Docket No. 24-057-20 - Adjustment to the Low-Income/Energy Assistance Rate

The current filing is a request to adjust the collection rate in order to collect the approved $1.5 million per year and adjust the amount payable to low-income customers.

Background

The Low-Income Assistance Program was approved in Docket No. 10-057-08, The Low-Income Assistance Program is designed to provide a one-time annual credit to HEAT qualified customers.

Discussion

As of July 2024, the 191.8 account was over-collected by $125,389. Customers that qualify for low-income assistance can apply to receive a one-time bill credit. The Company is proposing to change the bill credit amount to $109 and estimates that there will be 17,105 eligible customers, which is approximately 24% fewer eligible customers than the previous filing, for a total payout amounting to $1,874,278. Dominion also proposes to contribute $250,000 to the Utah Department of Workforce Services Housing and Community Development Weatherization Assistance Program within 30 days of the approval of the

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Application. This same amount has been contributed to the weatherization program as in previous years.

The Division has reviewed the filing and exhibits and agrees with the method used to quantify the number of qualified customers and the value of the credit per qualified customer. If approved a typical GS residential customer will see a decrease in their annual bill of $0.05.

Conclusion

On October 1, 2024, Enbridge filed six applications with the Commission and requested an effective date for November 1, 2024 for all of the filings. The net impact to a typical GS customer using 70 Dths per year if all six Applications are approved is a decrease of approximately $12.57 or 1.9%. The Division will continue to monitor the 191.9 account until the next general rate case. The Division will continue to monitor and would support a more robust evaluation of the CET Program during the next general rate case. The Company is aware that the CET account is still over-collected and is focused on the effect of weather normalization to bring the account back within historical norms, but will continue to track the progress and determine if an earlier or more frequent filing of the CET is justified.

The Division has reviewed the applications and recommends the Commission approve the proposed rates on an interim basis for Dockets 24-057-16 and 24-057-17. Docket Nos 24-057-19, and 24-057-20 do not require interim rate approval. The Division recommends the Commission approve the applications with an effective date of November 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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