UTAH DEPARTMENT OF COMMERCE
Division of Public Utilities

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CHRIS PARKER
Division Director

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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: January 21, 2025

Re: **Docket No. 25-057-01, Enbridge Gas Utah's** Adjustment in Rates and Charges to the 191 Pass-Through
Docket No. 24-057-26, Enbridge Gas Utah's 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, Enbridge Gas Utah's (Enbridge or Company) requested rate changes in Docket Nos. 25-057-01 and 24-057-26. 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, Enbridge simultaneously filed one additional application; Docket No. 24-057-25 (Rural Expansion Rate Adjustment) which is addressed in a separate memo. The Division supports the Company's requested effective date of February 1, 2025, for each of the filed applications.

Issue

On December 31, 2024, and January 2, 2025, Enbridge filed three applications with the Commission. On January 9, 2025, the Commission held a scheduling conference and

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established January 21, 2025, as the date for the Division and other parties to file comments. These are the Division's initial comments for Docket Nos. 25-057-01 and, 24-057-26.

Docket No. 25-057-01

Enbridge's 191 Pass-Through filing is a request for Commission approval for a decrease of $17,391,911[1] to the Utah natural gas rates. The driving force behind this decrease is the over-collection within the 191 Amortization account that is currently at approximately $60 million. 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 approximately $10.02 or 1.54%.[2] Exhibit 1.6, as originally filed, shows the monthly change to a typical GS customer of $10.05 per year or 1.55%. This was incorrect in the initial filing. The attached corrected Exhibit 1.6U shows that the annual increase is not $10.05 but rather $10.02 per year or 1.54%. The Division asked the Company for verification of the originally filed numbers and received the following reply in an email from the Company, "The Pass Through Rate Adjustment was incorrectly filed with rates from July 1, 2024. The corrected exhibit for the Pass Through is attached as EGU Exhibit 1.6U." This does not affect the calculated rates in Exhibits 1.7-1.10 and the tariff sheets are correct."

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 February 1, 2025, is less than 30 days from the filed date. Given the outcome of this filing is a decrease in customer rates, the Division supports an exception to the 30-day filing requirement.

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 $845,712[3] with a storage adjustment of $329,152[4] for

[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.

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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 $398,861[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 plant are estimated to be $1,932,485[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

As a re-cap of the 191 Account balance changes through the last several filings, in December of 2022, the under-collected amount increased to approximately $225 million, by February 28, 2023, the under-collected balance reached its highest level of $539 million. By November 2023, the 191 Account was reduced to $313 million under-collected. In the last filing, Docket 24-057-16, the balance moved in the opposite direction and was approximately $38 million over-collected. The over-collection has continued to grow and with this filing the current balance has increased to $60 million dollars. Enbridge proposes a change to the commodity amortization rate from the previously approved amount of $0.0000 to a credit amortization rate of $0.49090 per Dth.

The Utah gas costs in the previous filing, Docket No. 24-057-16, were $608,417,569 [7] with a forecast test year ending October 31, 2025. The current filing is based on projected Utah gas costs of $654,242,827 for the forecast test year ending January 31, 2026.[8] The

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[5] Exhibit 1.2, Page 6, Column D, Line 18.
[6] Exhibit 1.4, Page 2, Column F, Line 14.
[7] Docket No. 24-057-16, Exhibit 1.1, Page 2, Column E, Line 21.
[8] Exhibit 1.1, Page 2, Column E, Line 21.

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proposed rate would increase the base gas cost from $4.25170 to $4.60945. While the total gas cost is higher in this filing, the combination of the base gas cost and the amortization of the over-collected balance results in a decrease from the current rate.

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 $49,188 are expected to be amortized by November 1, 2024, with an amount of $218,920 remaining to be amortized. New RIN proceeds from September through October 2024 total $19,471, and when accounting for the amount remaining to be amortized during the test period equates to $238,391.[9]

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

[9] Exhibit 1.05, Page 1, Footnote 4.

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year of $92,442,630[10] less the $14,775,136[11] amortization of the over-collected amount from the previous period for a total of $77,667,494.[12]

Gas Supply

For the test year, December 1, 2025, through January 31, 2026, the Company is projecting a total system requirement of 128,888,452 Dths.[13] Of the total requirement, 125,544,181 Dths[14] will be used to meet the projected sales requirement. Approximately 44.7%[15] of the annual gas requirement will be satisfied with the Wexpro cost-of-service production, 22.8%[16] will be satisfied under current purchase contracts and 32.5%[17] will be purchased through future contracts and spot market transactions. The total expected natural gas cost for the test year is $673,778,945 million.[18]

The cost-of-service gas from all Wexpro production is projected to cost $242,571,240[19] at an average cost of $4.21 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 $158,842,064[21] at an average cost of $4.16 per Dth[22] including gathering costs. The volume from Wexpro I wells represents approximately 66.3% of the total cost-of-service production. Wexpro II production has a projected cost of

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

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$83,729,176[23] at an average cost of $4.30 per Dth[24] including gathering and represents approximately 33.7% of total production. The cost-of-service gas production includes the operator service fee (OSF) payable to Wexpro of $222,151,071.[25] 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 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 typically have more variation during the winter heating season and trend closer during the shoulder months and during the summer.

Chart 1-CONFIDENTIAL

[redacted]

[23] Exhibit 1.2, Page 3, Column B, Line 13.
[24] Exhibit 1.2, Page 3, Column D, Line 13.
[25] Exhibit 1.2, Page 1, Line 12.

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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 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 of the forecast prices and actual FOM prices as these have a dramatic effect on the 191 Account balance.

Chart 2-CONFIDENTIAL

[redacted]

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 costs continue trending towards historical norms as was the trend in the previous filing.

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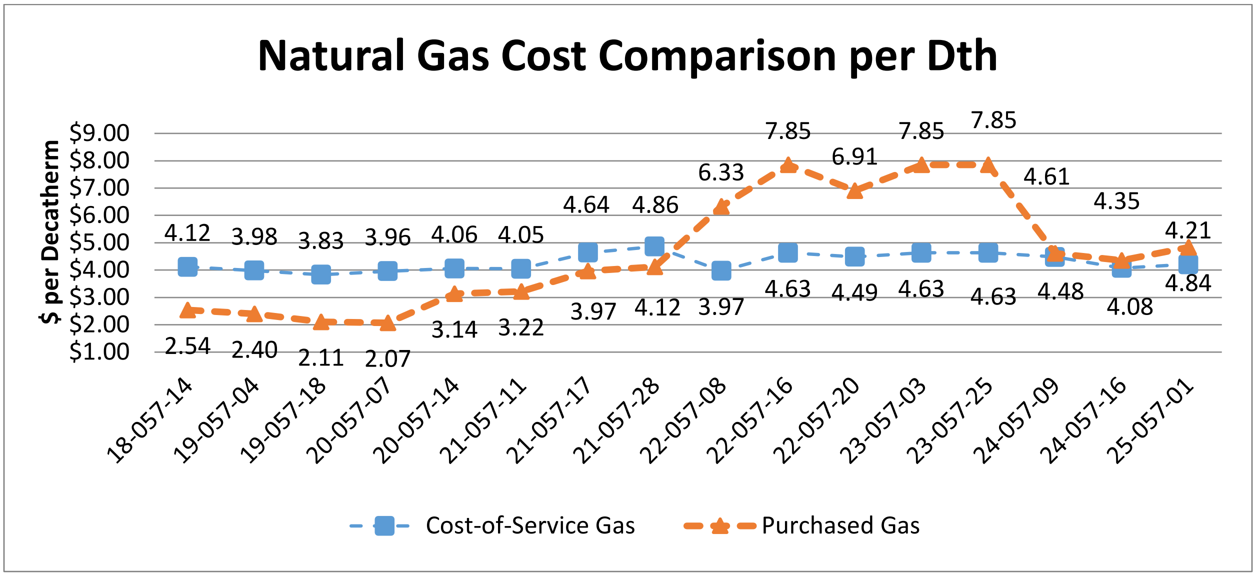
Chart 3



Docket No. 24-057-26

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 November 30, 2024. The Company's application requests an approximate 9.4% increase to the daily transportation imbalance charge from the rate approved in the previous filing, Docket No. 24-057-17. During the twelve months ending November 30, 2024, TS customers paid approximately $900,000 dollars 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

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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 third 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 as a complete exhibit for a second time, but after contacting the Company the updated and corrected exhibit was received the same day.

The proposed new rate of $0.07641 per Dth is an approximately 9.4% increase from the current rate of $0.06982 per Dth and is calculated based on the historical imbalance volumes for the previous 12 months ended November 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 556,767 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 [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

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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.

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

On December 31, 2024, and January 2, 2025, Enbridge filed three applications with the Commission and requested an effective date for February 1, 2025 for all of the filings. Based on calculations provided by the Company, the net impact to a typical GS customer using 70 Dths per year if all three Applications are approved is a decrease of approximately $9.04 or 1.39%. The Division will continue to monitor the Transportation Imbalance Charge and its efficacy in shifting nomination behavior and may address any findings in the next General Rate Case.

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The Division has reviewed the applications and recommends the Commission approve the proposed rates on an interim basis for Dockets 24-057-26 and 25-057-01. The Division recommends the Commission approve the applications with an effective date of February 1, 2025. The proposed changes are in the public interest and represent just and reasonable interim rates for Utah customers.

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