BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF ENBRIDGE GAS UTAH TO MODIFY SECTION 5.08 OF ITS TARIFF	Docket No. 25-057-T03

DIRECT TESTIMONY OF STEVEN WALL

FOR ENBRIDGE GAS UTAH

April 17, 2025

EGU Exhibit 1.0

I. INTRODUCTION

Q. Please state your name and business address.

A. Steven Wall, 333 South State Street, Salt Lake City, Utah 84111.

Q. By whom are you employed and in what capacity?

A. I am employed by Enbridge Gas Utah ("Enbridge" or "Company") as a Gas Supply and Transportation Specialist. I am responsible for gas supply forecasting and procurement, transportation imbalance management, review and reconciliation of contracts, invoices, and gas supply. My qualifications are detailed in EGU Exhibit 1.01.

Q. Did you prepare the attached EGU Exhibits 1.01 through 1.09, or were they prepared under your direction?

A. Yes.

Q. What is the Company proposing in its Application in this docket?

A. The Company is seeking approval from the Utah Public Service Commission ("Commission") for a modification of the Company's Utah Natural Gas Tariff No. 700 ("Tariff"). The Company proposes that the penalty calculation in section 5.08 be adjusted to better encourage compliance with daily imbalance restrictions.

II. DISCUSSION

Q. Please describe the current process of applying penalties on daily nominations.

A. The current process is outlined in section 5.08 of the Tariff. During certain periods during the year, the Company may place restrictions on transportation customers in order to limit imbalances. For example, the Company may impose a Restriction on Daily Imbalances that prohibits a customer from using more gas than it delivers to the system on a given day. In these situations, customers who fail to comply or whose usage falls outside the restriction limits may receive a penalty. During periods of restriction, the Company calculates an out-of-tolerance penalty by comparing a customer's supply to its actual usage, and assessing the penalty to the nominating agent[1] ("Agent") which is able to aggregate the imbalance with their other customers where applicable. The penalty for the remaining imbalance then gets passed onto the customer.

Q. Can one Agent trade imbalances with another Agent?

A. Yes. When a penalty is assessed, the Agent receives a list of the assessed penalties, and they are afforded a 10-business-day period in which they can "trade" imbalances with other Agents, to resolve imbalances. For example, on a given day, one customer may have used 100 Dth more than their Agent delivered, and another customer may have used 100 Dth less than their Agent delivered. In these instances, the Agent who owes gas may trade their imbalance with the Agent who is owed gas to avoid a restriction penalty. Once the trading window closes, Agents will be informed of any remaining out-of-tolerance amount and associated penalty amount.

Q. If an Agent who has volumes that are out-of-tolerance trades all of their out of tolerance volumes will they be assessed a penalty?

A. No. Penalties are only charged to Agents who, after the trading period, have volumes that remain out-of-tolerance.

Q. Is the penalty only assessed to Agents who use more gas than they deliver?

A. No. The Company can impose restrictions with tolerances on gas supply that ensure the safety and integrity of the distribution system. The most common restrictions are a no pack restriction (gas supply cannot exceed customer usage), and a no draft restriction (customer usage cannot exceed gas supply). A no pack restriction would be necessary in situations when storage options are limited to store excess gas. A no draft would be necessary when supply is limited. Penalties are only assessed to Agents who fail to comply with the terms of the restriction and have volumes that are outside the tolerance of the restriction.

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[1] Though some penalties are assessed directly to a customer, most are assessed through the nominating agent and passed on to the customers.

Q. How is the penalty calculated?

A. The Tariff provides that, "[i]f, after the Company provides notice [of a restriction], a customer or nominating party fails to comply with balancing restrictions, a balancing penalty will be assessed of the greater of $1.00/Dth or the absolute value of the difference between the monthly market index price and the gas daily market index price as defined in the glossary plus $0.25/Dth". Tariff at § 5.08.

For example, on January 6, 2024, The Company notified nominating agents of a no-draft balancing restriction. The restriction indicated that agents must provide at least as much supply as their customers actually used during those periods. Any customer usage that exceeded supply would be subject to the daily imbalance restriction penalty. The restriction was in place from January 6-8 and from January 13-16 of 2024. Exhibit 1.02 illustrates what happened to prices during that time, and how the penalty cost per dekatherm was calculated.

The penalty cost is calculated by taking the absolute value of the monthly market index price (column B) minus the gas daily market index price (column C) then adding $0.25. If the total from that calculation exceeds $1.00 that is the penalty amount, if it doesn't exceed $1.00, then $1.00 is used as the penalty amount.

Q. Does this penalty calculation have any unintended consequences?

A. Yes. It can actually incent a customer or nominating agent to accept a penalty rather than comply with a balancing restriction. In some instances, such as during the no-draft restrictions described above for January 6-8 and from January 13-16 of 2024 a penalty calculated under the current Tariff language can result in the penalty being a lower cost per dekatherm than the gas daily market index price. In other words, a customer would pay less by not buying the necessary gas and paying the penalty rather than supplying the appropriate amount of supply.

The following theoretical scenario shows an example of how an Agent during the no-draft restriction in Exhibit 1.02 might be incented to accept the penalty rather than settling an imbalance with another Agent.

	Agent A	**Agent B**
Delivered to System	300 Dth	100 Dth
Used by customer	200 Dth	200 Dth
Imbalance (delivered - used)	100 Dth	(100) Dth
Penalty Cost/Dth	$2.36	$2.36
Penalty Cost (imbalance x penalty cost)	$0	$236
Gas Daily Market Price	$5.67	$5.67

In the table above, Agent A bought supply at a daily market rate of $5.67 per Dth and that supply exceeded Customer A's usage by 100 Dth. Since Agent A delivered more gas than it used, it does have an imbalance, but it does not owe a penalty. Agent B bought some supply at a market rate of $5.67 per Dth and that supply was less than Customer B's usage by 100 Dth. Since Agent B delivered less gas than it used, it has an imbalance and is in danger of owing a penalty.

The two Agents could "trade" the imbalance during the 10-day window and thereby Agent B could avoid the penalty. However, due to the current tariff language, the penalty cost per dekatherm is actually less than the Gas Daily Market Price that Agents would have been paying that day. Instead of paying for gas at $5.67/Dth, Agent B could simply pay a "penalty" of $2.36/Dth. This is not an equitable penalty. In fact, it is not a penalty at all, but a savings. Agent B would be incented to supply less than it uses and simply pay the penalty. Agents who supply more than their customers use will not be able to trade away that imbalance because the penalty cost is lower than the market value they paid for the supply.

Q. What change are you proposing?

A. The Company proposes changing the daily restriction imbalance penalty calculation. The proposed language is shown in EGU Exhibits 1.08 and 1.09, which are the legislative and final versions of Section 5.08 of the Tariff, respectively. Instead of calculating the penalty as "the greater of $1.00/Dth or the absolute value of the difference between the monthly market index price and the gas daily market index price as defined in the glossary plus $0.25/Dth," the Company proposes to calculate the penalty based upon "the gas daily market index price as defined in the glossary plus $1.00/Dth."

Q. How will this proposed change solve the problem you described above?

A. The proposed change will create a penalty that will exceed the gas daily market index price. There will no longer be an incentive for customers to accept a penalty rather than pay for the gas they use on a given day. Exhibit 1.03 shows the penalty calculation from the January 6-8 event using the proposed Tariff language. As the exhibit shows, the penalty would be calculated by adding $1.00/Dth to the market index price. In this example, the penalty is $6.67, which is higher than the $5.67 market price. This difference in costs will properly incent the customers to comply with restrictions.

Q. Have there been additional time periods in the last year where these inequitable penalties existed?

A. Yes. EGU Exhibits 1.04 and 1.06 show calculations for penalties for imbalances occurring during actual restrictions May 2022 and October 2023 where the penalty was less than the market price. In all these instances, had the proposed Tariff language been in place, the penalty calculation would have incented customers to comply with restrictions, rather than incenting ignoring restrictions. Examples of the May 2022 and October 2023 events using the proposed Tariff language are shown in EGU Exhibits 1.05 and 1.07.

III. SUMMARY

Q. Please summarize your testimony.

A. Implementing the proposed change to the daily restriction imbalance penalty calculation outlined in section 5.08 of the Tariff will improve customer and nominating agent compliance with balancing restrictions. For this reason, the Company respectfully requests that the Commission approve the proposed tariff language.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Steven Wall, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. I prepared the exhibit attached to my testimony and it accurately represents my experience.

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Steven Wall

SUBSCRIBED AND SWORN TO this 23rd day of April, 2025

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Notary Public