Ohio | Public Utilities Commission

Mike DeWine, Governor
Jenifer French, Chair

September 22, 2021

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of Changes in Rules and Regulations regarding Heat Content Conversion and The East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of a Reliability Enhancement Program, Case Nos. 21-296-GA-ATA and 21-297-GA-UNC.*

Dear Docketing:

Enclosed please find the Staff's Review and Recommendation in regard to The East Ohio Gas Company d/b/a Dominion Energy Ohio's application in Case Nos. 21-296-GA-ATA and 21-297-GA-UNC for approval of changes to rules and regulations regarding heat content conversion and a Reliability Enhancement Program.

David Lipthratt
Chief, Accounting and Finance Division
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The East Ohio Gas Company d/b/a Dominion Energy Ohio
Case Nos. 21-296-GA-ATA and 21-297-GA-UNC

SUMMARY

On April 1, 2021, The East Ohio Gas Company d/b/a Dominion Energy Ohio (Dominion, DEO, or Company) filed an application seeking approval to revise its tariff to modify how the Unaccounted-for Gas (UFG) percentage is calculated, specifically the Ohio Production Btu Adjustment portion of the UFG and to establish a Reliability Enhancement Program (Pilot Program) on a three-year basis. Both proposals are discussed in detail below.

Ohio Production Btu Adjustment

The Ohio Production Btu Adjustment resulted from the 2021 Heat Content Agreement (2021 HCA) which was entered into by Dominion and the Ohio Oil and Gas Association (OOGA)[1] in 2020. The 2021 HCA is the byproduct of two previous agreements between DEO and the OOGA consisting of the Master Heat Content Agreement entered into in 2003 and the Heat Content Agreement entered into in 2007 and later amended in 2014 (2007 HCA). The 2021 HCA keeps most of the terms and conditions of the 2007 HCA, but also contains either incremental adjustments to existing provisions or the removal of obligations, terms, and conditions that were no longer deemed necessary by the parties. DEO does not believe that either of the previous agreements nor the 2021 HCA require Commission approval, and therefore has not filed the 2021 HCA in the docket for this case.

The 2021 HCA's main impact to DEO customers is related to the calculation of the UFG percentage. Specifically, a component of the UFG, the Ohio Production Btu Adjustment. The Ohio Production Btu Adjustment is the additional volume credited to customer accounts and marketer pools have to be considered when calculating the UFG percentage used to render gas supply volumes comparable to end use consumption volumes. Under DEO's proposed modification to the UFG, the Company would continue to apply a heat content conversion adjustment to conventional local production but would no longer divide the resulting value by the average Btu content of interstate pipeline deliveries. This change would result in an increase in conventional local production volumes credited to customer accounts and marketer pools which would increase the corresponding component of DEO's UFG percentage. DEO estimates this change would increase the overall UFG percentage by 1.0%, and for a typical residential customer using 97 Mcf annually, the increase in costs would be less than 1 Mcf over the course of the year or an increase of $3.00.[2]

Reliability Enhancement Pilot Program

The second component of the application is the request to establish the Pilot Program on a three-year basis. DEO states, with the Pilot Program qualifying producers who serve areas dependent on local production would receive an incentive or Reliability Enhancement Fee of $1.00 per Mcf to invest in continued production. This fee would be applicable only to volumes delivered to areas of the system DEO identified as risks to the system reliability due to declining production. DEO states in its application the proposed $1.00 per Mcf fee is based on discussions with OOGA to determine what would be a

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[1] The Ohio Oil and Gas Association is a trade association with members representing the people and companies directly responsible for the production of crude oil, natural gas, and associated products in Ohio.
[2] Based on DEO's March 2021 SCO tariff rate in effect at the time DEO's Application.

sufficient incentive to attract conventional producers. Dominion would pay the fee directly to qualifying producers. DEO would then recover the fee from customers through the Transportation Migration Rider-Part B (TMR-B). The TMR-B recovers the costs of providing operational balancing and ensuring supply reliability to DEO's Energy Choice, Standard Service Offer and Standard Choice Offer customers. DEO estimates the initial volumes that would be eligible for the Reliability Enhancement Fee would range from 1.0 to 1.5 billion cubic feet annually. This would result in an increase in the TMR-B of $0.006-0.009 per Mcf. Based on the typical residential customer usage of 97 Mcf annually, an average customer would experience an increase of five to seven cents.

STAFF REVIEW

Staff reviewed Dominion's application and makes the following recommendations.

Dominion's application includes two different proposals for the Commission to consider, both are based in varying degrees on the 2021 HCA agreement between DEO and OOGA. The first of those proposals is the Ohio Production BTU adjustment. Staff reviewed DEO's requests to change its method of calculating the Ohio Production BTU adjustment and is of the opinion that the modification to the Ohio Production Btu is unreasonable because the change results in an increase to ratepayers, while primarily benefiting conventional local producers and not the ratepayers. Therefore, Staff does not recommend approval of the change to the Ohio Production Btu.

Staff also reviewed DEO's request to implement the Pilot Program and Staff does not object to the Pilot Program contingent on the Reliability Enhancement fees not being recovered from ratepayers through the TMR-B. It is Staff's opinion that the fees Dominion pays to the local producers should be borne by the Company and not Dominion's ratepayers.

CONCLUSION

Based on Staff's review of Dominion's application, Staff recommends the Commission deny the application.