APPLICATION OF DOMINION ENERGY UTAH TO CHANGE THE INFRASTRUCTURE RATE ADJUSTMENT	))))	Docket No. 18-057-11 APPLICATION

All communications with respect to
these documents should be served upon:

Jenniffer Clark (7947)
Attorney for the Applicant

333 S. State Street
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392

APPLICATION
AND
EXHIBITS

September 1, 2018

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF DOMINION ENERGY UTAH TO CHANGE THE INFRASTRUCTURE RATE ADJUSTMENT	))))	Docket No. 18-057-11 APPLICATION

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or the Company) respectfully submits this Application to the Utah Public Service Commission (Commission) and thereby seeks to modify the Infrastructure Rate Adjustment to the Distribution Non-Gas (DNG) cost portions of its Utah GS, FS, IS, TS, FT-1, MT, and NGV natural gas rate schedules, pursuant to section 2.07 of the Company's Utah Natural Gas Tariff No. 500 (Tariff).

If the Commission grants this Application, a typical GS residential customer using 80 decatherms per year will see an increase in their yearly bills of $2.45 (or 0.39%). The Company proposes to implement this request by charging the new rates effective October 1, 2018.

In support of this Application, Dominion Energy states:

1. Dominion Energy's Operations. Dominion Energy, a Utah corporation, is a public utility engaged in the distribution of natural gas primarily to customers in the states of Utah and Wyoming. Its Utah public utility activities are regulated by the Commission, and the Company's charges and general conditions for natural gas service in Utah are set forth in the Tariff. Copies of the Company's Articles of Incorporation are on file with the Commission. In addition, the Company serves customers in the Franklin County, Idaho area. Under the terms of an agreement between the Commission and the Idaho Public Utilities Commission, the rates for these Idaho customers are determined by the Utah Commission. Volumes for these customers have been included in the Utah volumes.

2. Settlement Stipulation Order. On page 8 of the Report and Order dated February 21, 2014 in Docket No. 13-057-05, the Commission authorized Dominion Energy to continue the

infrastructure tracker pilot program ("Program") and §2.07 of the Tariff sets forth procedures for recovering costs associated with replacing aging infrastructure.

3. Test Year. The test year for this Application is the 12 months ending September 30, 2019.

4. Calculation of Revenue Requirement. Exhibit 1.1, pages 1 through 3 show the total amount closed to investment and in service from October 2017 through August 2018 for each of the infrastructure replacement projects. Lines 1 through 11 show the investment in each high pressure infrastructure project, and lines 12 through 27 show the investment in each intermediate high pressure project. Lines 28-32 show the amounts retired from investment. Line 35 shows, by month, the cumulative plant balance of high pressure and intermediate high pressure plant. Line 36 shows the same cumulative plant balance less the $84 million[1] threshold set forth in Docket No. 13-057-05 before applying for cost recovery of tracker related investment/costs.

a) Exhibit 1.1, page 4, shows a calculation of the revenue requirement. Page 4, line 1, shows the net investment closed through August 2018. Pursuant to paragraph 25 of the Settlement Stipulation in Docket No. 13-057-05, $84 million is removed on line 2 because that amount was already included in rates. Lines 4 through 10 show the accumulated depreciation, accumulated deferred income tax, net replacement infrastructure, allowed pre-tax return, net depreciation expense, and net taxes other than income tax. The allowed pre-tax return has been adjusted to reflect the lower federal income tax rate of 21% as a result of the Tax Cuts and Jobs Act passed in 2017.

b) Line 12 reduces the revenue requirement for interruption penalties collected during 2017. Section 3.02 of the Utah Tariff states that "a customer who fails to interrupt when properly called upon by the Company to do so will incur a $40-per-decatherm penalty for all interruptible volumes utilized during the course of an interruption…Any such penalties recovered by the Company shall be credited to the ratepayers as a reduction to the Infrastructure Rate-Adjustment Tracker." On January 6, 2017 the Company gave notice to applicable customers that an interruption would be

[1] In the Company's last general rate case, Docket No. 13-057-05, the Commission approved the Partial Settlement Stipulation in which the parties agreed that the Company would defer "tracking of infrastructure costs until $84 million of infrastructure investment is reached." Report and Order dated February 1, 2014, Docket No. 13-057-05, p. 8, ¶ 2.g.

necessary. The interruption period ended on January 7, 2017. During the interruptible period 16,394 decatherms (Dth) were used for which a penalty of $40 per Dth was applied, resulting in total interruptible penalties of $655,756 (16,934 X $40) and was credited as a reduction in the tracker in Docket No. 17-057-18. Since that time, The Company has collected additional penalty amounts related to the January 6, 2017 event, and as a result, an additional $125,760 will be credited to customers, which represents the DNG ($40) portion of these penalties. The SNG and Commodity portions of the penalty will be reflected in the next pass-through filing.

c) Line 13 reduces the revenue requirement to correct rate base amounts shown in Docket No. 17-057-18, Exhibit 1.1, page 4. This correction includes two rate base adjustments. First, the Company discovered that completed work on IHP tracker projects in Davis and Salt Lake County were not included in the Exhibit 1.1 net investment calculation. These projects totaled $3.25 million of investment and were shown in the "calculations" tab of the Excel model provided in Docket No. 17-057-18 under project numbers 01044742 and 01045069. Although they were included in the list of projects in the Excel model, they were excluded from Exhibit 1.1 in error. Second, the Company discovered that these projects and Feeder Line 21 project 01043611 were inadvertently excluded from the accumulated deferred income tax (ADIT) calculation.

d) Line 14 shows the final adjusted revenue requirement of $25,620,240, an increase of $3,515,085 from the previous infrastructure rate-adjustment filing as shown on line 16. The amount shown on line 14 will be collected from each rate schedule according to the currently allowed cost-of-service and rate design calculations as discussed below.

5. <u>Cost of Service</u>. Exhibit 1.2 shows the allocation of the revenue requirement to each class. Section 2.07 of the Tariff states that "the Surcharge will be assigned to each rate class based on the Commission-approved total pro rata share of the DNG tariff revenue ordered in the most recent general rate case." Column A shows the DNG revenue requirement by class ordered by the Commission in Docket No. 13-057-19. Column B shows the percent of the total revenue requirement by class and column C shows the total infrastructure replacement revenue to be collected from each class.

6. Rate Design. Exhibit 1.3 shows the rate design for the Infrastructure Rate Adjustment surcharge component of the DNG rates. Section 2.07 of the Company's Tariff states that "the Surcharge assigned to each class will be collected based on a percentage change to the demand charge, if applicable, and each block of volumetric rates of the respective rate schedules." The Tax Surcredit was included as part of the Base DNG rate in Column F to reflect the change in the federal income tax rate per the Tax Cuts and Jobs Act passed in 2017. Columns E and F are combined when applying the percent increase in column I to calculate the rate in column J. Column G shows the projected volumetric revenue for each class using base DNG rates and volumes for the 12 months ending September 2019 test year. Column H shows the amount of infrastructure replacement tracker revenue that needs to be collected from each class. Column I shows the percentage change to each block and demand charge since the approved continuation of the tracker adjustment in Docket No. 13-057-05. Column J shows the proposed rates for each rate schedule.

7. Change in Typical Customer's Bill. The annualized change in rates calculated in this Application results in an increase of $2.45 per year (or 0.39%), as shown in Exhibit 1.4.

8. Legislative and Proposed Tariff Sheets. Exhibit 1.5 shows the proposed Tariff rate schedules that reflect the updated infrastructure rate adjustment as explained in paragraphs 4 through 6.

9. Exhibits. Dominion Energy submits the following exhibits in support of its request to include the infrastructure rate adjustment:

Exhibit 1.1	DEU Infrastructure Replacement Project Summary & Calculation of Revenue Requirement
Exhibit 1.2	Cost of Service Allocation
Exhibit 1.3	Infrastructure Tracker Rate Calculation
Exhibit 1.4	Effect on GS Typical Customer
Exhibit 1.5	Legislative and Proposed Tariff Sheets

WHEREFORE, Dominion Energy respectfully requests that the Commission, in accordance with the Report and Order approving the Settlement Stipulation in Docket No. 13-057-05 and the Company's Tariff:

1. Enter an order authorizing Dominion Energy to change rates and charges applicable to its Utah natural gas service that reflect an adjustment to the rates for each class as more fully set forth in this Application.

2. Authorize Dominion Energy to implement the revised rates effective October 1, 2018.

DATED this 31st day of August 2018.

Respectfully submitted,

DOMINION ENERGY UTAH

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Jenniffer Clark (7947)
Attorney for the Applicant
333 South State
Salt Lake City, Utah 84145-0433
(801) 324-5392