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IN THE MATTER OF THE  
APPLICATION OF DOMINION  
ENERGY UTAH FOR  
MODIFICATION OF  
MEMORANDUM OPINION,  
FINDINGS AND ORDER  
APPROVING JOINT APPLICATION  
IN DOCKET NO. 16-057-01

Docket No. 18-057-23

APPLICATION

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

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APPLICATION  
AND  
EXHIBITS

November 19, 2018

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR MODIFICATION OF MEMORANDUM OPINION, FINDINGS AND ORDER APPROVING JOINT APPLICATION IN DOCKET NO. 16-057-01	Docket No. 18-057-23  APPLICATION
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Pursuant to Utah Code Ann. §63G-4-201 *et seq.*, §54-4-1 *et seq.*, and §54-7-1; and pursuant to Utah Administrative Code §§ R746-1-101 *et seq.*, Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Application to the Utah Public Service Commission (Commission) and requests that the Commission modify its Order Memorializing Bench Ruling Approving Settlement Stipulation issued September 14, 2016 in Docket No. 16-057-01 (Merger Order) and approve an amendment to the Settlement Stipulation (Settlement Stipulation) approved by the Merger Order. The amendment sought by the Company would authorize Dominion Energy to deviate from the agreed-upon common equity capitalization range set forth in Paragraph 25 of the Settlement Stipulation. Dominion Energy offers the following in support of this Application:

## BACKGROUND

On March 3, 2016, the Company and its parent company, Dominion Resources, Inc. (now Dominion Energy, Inc.) filed a Joint Application and pre-filed direct testimony seeking Commission approval of the merger of Dominion Resources, Inc. and Questar Corporation, together with an Agreement and Plan of Merger. On August 15, 2016, the parties to that proceeding filed a Settlement Stipulation with the Commission requesting an order approving and granting the Joint Application and merger, subject to terms and conditions set forth in the Settlement Stipulation. A copy of the Settlement Stipulation is attached as DEU Exhibit A.

Paragraph 23 of the Stipulation provides: “Dominion, through Dominion Questar, will provide equity funding, as needed, to Dominion Questar Gas in order to maintain an end-of-year common equity percentage of total capitalization in the range of 48-55 percent (48-55%) through December 31, 2019.” (Stipulation, Page 8, Paragraph 23.)

On September 14, 2016, the Commission issued the Merger Order, which it approved the Joint Application, the merger, and the Stipulation.

In 2017, the United States government passed into law the Tax Cuts and Jobs Act of 2017 (Act). The Act provided for certain tax reforms, including changes that have affected Dominion Energy Utah’s operations. One unintended consequence of the Act is that it has put pressure on the Dominion Energy Utah’s credit metrics. Specifically, on January 19, 2018, and in response to the Act, Moody’s Investors Service changed its rating outlook for 24 regulated utilities and utility holding companies from “stable” to “negative.” Dominion Energy Utah was one of these 24 utilities. The Act reduced the statutory tax rate from 35% to 21% and eliminated bonus depreciation for utilities such as Dominion Energy Utah. These two changes have in turn reduced the amount of cash

collected from customers, and put negative pressure on the Company's credit metrics. The Funds From Operations (FFO), which measures the cash flow divided by debt, has been particularly impacted by the Act. A deterioration of this and other credit metrics could result in a downgrade in Dominion Energy Utah's credit ratings, which would in turn result in a higher cost of debt for the Company and its customers.

In an effort to improve Dominion Energy Utah's credit metrics in response to the Act, the Company believes it necessary to issue additional equity to replace debt and hopefully avoid a credit downgrade. This action may require the Company to issue equity in an amount that would put its common equity percentage of total capitalization above the 55% cap set forth in Paragraph 23 of the Settlement Stipulation that was approved in the Merger Order.

Accordingly, in an effort to avoid a credit downgrade, while honoring the original intent of the Settlement Stipulation and holding customers harmless, the Company and the parties to the Settlement Stipulation agree that Paragraph 23 of the Stipulation should be amended as set forth below, and request that the Commission enter an order approving that amendment and modifying the Merger Order.

1. Paragraph 23 of the Stipulation be amended and replaced in its entirety with the following language:

Dominion through Questar Gas will provide equity funding, as needed, for the first four calendar years following the Effective Time, in order for Questar Gas to maintain an end-of-year common equity percentage of total capitalization in the range of 48 to 55 percent through December 31, 2019. If, during the first four calendar years following the Effective Time, Questar Gas increases its common equity percentage of total capitalization above 55% to maintain credit metrics, the equity percentage of total capitalization proposed by Questar Gas in its first general rate case after the Effective Time shall not exceed 55%. In the second general rate case following the Effective Time, Questar Gas will work to maintain and propose equity levels that are within the equity level ranges of a basket of A rated peers. If it proposes an equity level above the equity level

ranges of a basket of A rated peers it must specifically identify factors unique to Questar Gas that prevent being within that range. The Parties do not intend that allowing equity capitalization at or above 55% creates any presumption that the outcome of a general rate case would allow equity capitalization at or above 55%.

2. The parties to the Stipulation agree to the amendment proposed in this docket and have executed a Stipulation to Modify Commission Order in Docket No. 16-057-01 and Approve Amended Settlement Stipulation, which is attached hereto as DEU Exhibit B.

3. All other provisions in the Settlement Stipulation remain in effect and are binding upon the Parties.

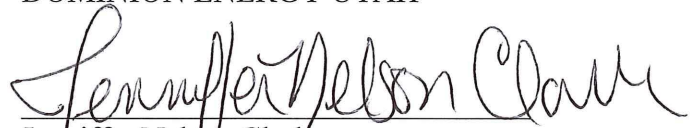
4. The proposed amendment to the Stipulation is in the public interest and is just and reasonable.

Based upon the foregoing, Dominion Energy Utah respectfully requests that the Commission issue an order granting this Application, modifying the Merger Order, and approving the amendment to the Settlement Stipulation, as provided in this Application and the Stipulation to Modify Commission Order in Docket No. 16-057-01 and Approve Amended Settlement Stipulation.

WHEREFORE, Dominion Energy respectfully requests that the Commission enter an Order approving this Application, and approving the proposed amendment to the Settlement Stipulation and Merger Order as described more fully herein.

RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of November, 2018.

DOMINION ENERGY UTAH



Jennifer Nelson Clark

*Attorney for Dominion Energy Utah*

## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Application was served upon the following persons by e-mail on November 19, 2018:

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