

IN THE MATTER OF THE
APPLICATION OF DOMINION
ENERGY UTAH TO INCREASE
DISTRIBUTION RATES AND
CHARGES AND MAKE TARIFF
MODIFICATIONS

Docket No. 19-057-02

VERIFIED
APPLICATION

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

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VERIFIED APPLICATION
AND
EXHIBITS

July 1, 2019

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 19-057-02 VERIFIED APPLICATION
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Pursuant to Utah Code Ann. §§ 54-4-4 (2012) and 54-7-12 (2012) and Utah Admin. Code R746-1-101, *et seq.* (2019), and R746-700-1, *et seq.* (2019), Questar Gas Company dba Dominion Energy Utah (“Dominion Energy” or the “Company”) respectfully applies for an order authorizing a total revenue requirement of \$397.6 million with a rate-effective date of March 1, 2020 and a revenue deficiency of \$19.2 million to be collected through the proposed rate changes set forth below and in the direct testimony supporting this Application. This revenue deficiency is the result of the increased costs of supplying utility service in Utah that will not be covered under currently authorized rates.

Specifically, the increasing capital expenditures associated with the Company's ongoing critical need for maintaining, upgrading, and replacing its aging infrastructure, as well as the costs of serving an increasing number of new customers, have resulted in rates that will no longer be just and reasonable.

Further, the Company requests that the Utah Public Service Commission ("Commission"), authorize the implementation of new rates proposed in this Application and the pre-filed direct testimony consistent with Utah Code Ann. §§ 54-4-4 and 54-7-12 (2017) effective March 1, 2020.

The Company also requests that the Commission approve the changes to the Company's Utah Natural Gas Tariff No. 500 ("Tariff") proposed in this Application and the attached pre-filed direct testimony.

In addition, the Company respectfully requests that the Commission approve the continuation of the Infrastructure Replacement Adjustment Tracker ("Tracker"), approve an increase in the annual expenditure level of the Tracker from the currently allowed \$70.9 million to \$80 million, and allow accounting treatment as discussed in detail in the Company's supporting testimony.

These requests are supported by this Application and the other supporting evidence discussed below.

I. PRELIMINARY MATTERS

A. *Dominion Energy Operations*

Dominion Energy is a corporation organized and existing under the laws of the state of Utah, with its principal business office located at 333 South State Street, Salt Lake City, Utah. The Company is engaged in the business of providing natural gas as a local distribution company. Dominion Energy currently distributes natural gas to

approximately 1,018,000 customers throughout the state of Utah and in Franklin County, Idaho subject to the ratemaking jurisdiction of the Commission. In addition, the Company distributes gas to communities and rural areas in southwest Wyoming under the jurisdiction of the Wyoming Public Service Commission.

B. Articles of Incorporation; Tariff

A copy of Dominion Energy's Articles of Incorporation is on file with the Commission. The Company's present rates, charges, and general conditions for natural gas service in Utah are regulated by the Commission and are set forth in Dominion Energy's Tariff, which is also on file with the Commission. Rates and the Tariff changes proposed by this Application will be published as revisions to Tariff PSC Utah No. 500 upon Commission approval and will supersede the current rates and Tariff provisions.

II. APPLICATION FOR AN INCREASE IN DISTRIBUTION NON-GAS RATES AND CHARGES FOR NATURAL GAS SERVICE

A. Current Rate Structure

Dominion Energy's current rates are divided into three components: (1) distribution non-gas ("DNG") rates, which relate to costs incurred by the Company in providing service to its retail customers, exclusive of the costs of gas supplies and transporting that gas to Dominion Energy's system, (2) supplier non-gas ("SNG") rates, which reflect the costs of transporting natural gas from natural gas fields to various city gates on the Company's system, and (3) commodity costs associated with acquiring gas supplies, including gas purchases, the Wexpro operator service fee for the production of Company-owned gas supplies, and other gas-supply related expenses.

The rate relief requested in this Application is limited to the DNG-cost portion of the Company's rates. The SNG and commodity rates are considered in separate pass-through proceedings in accordance with the Company's Tariff and the rules and

procedures of the Commission. The DNG rates collect approximately 43% of Dominion Energy's total revenue, while SNG and commodity rates make up the remaining 57% of revenue.

B. Previous Rate Proceeding Establishing DNG Rates

The Company's current DNG rates reflect the Commission's Report and Order in Docket No. 13-057-05, as adjusted by the Commission-approved Conservation Enabling Tariff amortizations, Demand-Side Management amortizations, Energy Assistance charges, and the Infrastructure Rate Adjustment Surcharges.

C. Necessity for Relief

The Company's present rates and charges authorized by the Commission no longer provide the Company the opportunity to recover the costs of providing natural gas service while earning a reasonable rate of return on its investment in the rate base necessary to provide that service. Therefore, these rates are no longer "just and reasonable" as required by Utah Code Ann. § 54-3-1 (2017), and do not meet the standards enunciated by the United States and Utah Supreme Courts. Based upon the test period as set forth in the testimony in this case, the Company will earn only 9.05% on equity invested.

D. Basis for Determination of Rate Relief

The proposed test period ending December 31, 2020 includes the revenues, expenses and plant that best reflect the conditions the Company will encounter during the rate-effective period. As set forth more fully in the direct testimony submitted with this Application, Dominion Energy examined all of its operations and associated costs, revenues and plant. It also considered and projected all the material changes the Company

knows or reasonably expects to occur during 2020. The Company has included adjustments that reduce the Company's revenue requirement as well as those that increase it. These forecasted results were then modified for regulatory adjustments consistent with past Commission orders and practice to arrive at the revenue requirement projected for the proposed test period.

E. Factors Contributing to Revenue Deficiency

The primary driver for this general rate case is the Company's ongoing capital investment. Dominion Energy's capital expenditures are significantly increasing, and the Company expects to invest \$232 million and \$275 million in 2019 and 2020, respectively. The capital costs associated with maintaining a safe, reliable system require significant investment.

F. Rate of Return

Consistent with applicable law, for Dominion Energy to meet its public-service obligation to Utah customers, the Company must be given a reasonable opportunity to earn a rate of return on equity ("ROE") commensurate with returns realized by investors on investments with similar risks in the capital markets. As established in the Direct Testimony of Robert Hevert, attached to this Application as DEU Exhibit 2.0, the Company's rates should be based on an authorized ROE of 10.5 percent. An ROE set at this level is appropriate to maintain the long-term financial integrity of the Company's utility operations and provide a fair return on shareholder investment.

Dominion Energy's requested ROE is fair and adequate in today's financial marketplace and falls within the range of reasonable ROEs of a proxy group of companies comparable to Dominion Energy, as measured using the Constant Growth Discounted

Cash Flow model, the Capital Asset Pricing Model, and the Bond Yield Plus Risk Premium approach. Additionally, it is comparable to ROEs currently being authorized for gas utility companies with similar performance. Dominion Energy's requested ROE is at the level required by investors to attract the capital necessary for critical investment in plant and for natural gas operation.

G. Summary of Test-Period Deficiency and Rate Impact

i. Test-Period Deficiency.

The factors discussed above contribute to a revenue deficiency in the Company's Utah operations. To compensate for that deficiency, Dominion Energy will need to increase rates to collect an additional \$19.2 million in additional annual revenues for its Utah operations as described in the Direct Testimony of Jordan K. Stephenson, attached to this Application as DEU Exhibit 3.0. When comparing the projected volumetric revenues with the revenue requirement, the deficiency is increased to \$28.9 million.

ii. Cost-of-Service and Rate Design.

Dominion Energy requests that the revenue requirement be spread among customer classes in accordance with the cost-of-service studies and rate design described in the Direct Testimony of Austin C. Summers, attached to this Application as DEU Exhibit 4.0.

iii. Financial Impact.

The effect of the proposed rate increase on the typical GS customer who uses 80 Dth per year will be an increase of approximately \$42.16 per year. This is an overall increase to a typical customer's bill of approximately 6.83%.

III. INFRASTRUCTURE RATE-ADJUSTMENT TRACKER

Dominion Energy is requesting that the Commission continue the Tracker and approve an increase the Tracker's inflation-adjusted investment cap from \$70.9 million to \$80 million. This request and the basis for this request are explained in the Direct Testimony of Kelly B Mendenhall, attached to this Application as DEU Exhibit 1.0.

IV. TARIFF CHANGES

Dominion Energy requests that the tariff changes described in the Direct Testimony of Jessica Ipson, attached as DEU Exhibit 5.0, and shown on DEU Exhibit 5.02, be approved.

V. COMPLETE FILING

In accordance with Utah Admin. Code R746-700-1 *et seq.*, Dominion Energy has provided all information, evidence and data necessary to constitute a complete filing of a general rate case. DEU Appendix 1 to this Application provides a list of the categories of information required by Utah Admin. Code R746-700-1 *et seq.*, and a reference to where the required information can be found within the Application and the supporting testimony.

VI. SUPPORTING EVIDENCE

The following exhibits are attached in support of this Application and, by this reference, are incorporated herein: the sworn testimony of Kelly B Mendenhall (DEU Exhibit 1.0), Robert Hevert (DEU Exhibit 2.0), Jordan K. Stephenson (DEU Exhibit 3.0), Austin C. Summers (DEU Exhibit 4.0), and Jessica L. Ipson (DEU Exhibit 5.0) and

additional information provided in compliance with Utah Admin. Code R746-700-1 *et seq.* (DEU Appendix 1).

VII. RELIEF REQUESTED

WHEREFORE, Dominion Energy Company respectfully requests that the Commission:

A. Schedule a time and place for hearing on this Application and give appropriate notice in accordance with Utah law;

B. Authorize an increase in rates and charges that will satisfy a total revenue requirement of \$397.6 million, as described in this Application;

C. Authorize the implementation of new rates and Tariff changes consistent with Utah Code Ann. §§ 54-4-4 and 54-7-12 (2017) effective March 1, 2020;

D. Approve the increase of the Infrastructure Rate-Adjustment Tracker cap to \$80 million, and allow accounting treatment as more fully set forth herein; and

E. Approve the Tariff changes proposed in this Application and the attached pre-filed direct testimony.

RESPECTFULLY SUBMITTED this 1st day of July, 2019.

DOMINION ENERGY UTAH

Jenniffer Nelson Clark
Dominion Energy Utah

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 July 1, 2019:

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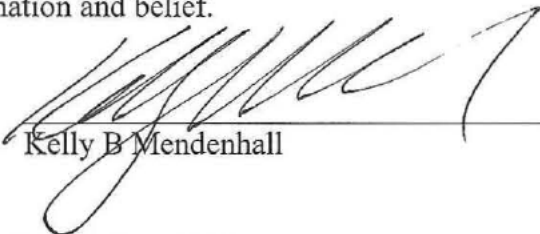
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VERIFICATION

STATE OF UTAH)
 :
COUNTY OF SALT LAKE)

Kelly B Mendenhall, being first duly sworn upon oath, deposes and states: He is the Director of Regulatory and Pricing, State Regulatory Affairs of Dominion Energy Utah; he has read the foregoing Application; and the statements made in the Application are true and correct to the best of his knowledge, information and belief.

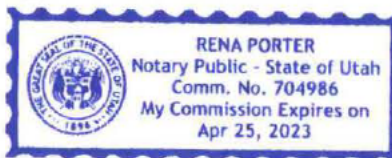


Kelly B Mendenhall

Subscribed and sworn to before me this 1st day of July, 2020.



Notary Public



Number:	Rule:	Location:
Rule 746-700-10		
A.1.	Test Year Information	DEU Exhibit 3.0 DEU Exhibit 4.18 Utah Rate Case Model.xls (Provided electronically herewith).
A.2.	December 2020 Test Period	DEU Exhibit 4.18 Utah Rate Case Model.xls, scenario 8 in cell F10 of the Control Panel.
Rule 746-700-20		
A.	Historical Results of Operations Information	
1	Actual, unadjusted results of operations, including all regulated costs and revenues, for an historical 12-month period as contained in its last periodic reported results of operations filing submitted to the Commission.	DEU Exhibit 4.18 Utah Rate Case Model.xls, scenario 4 in cell F10 of the Control Panel.
2	adjusted results of operations for the same period	DEU Exhibit 4.18 Utah Rate Case Model.xls, scenario 5 in cell F10 of the Control Panel.
3	A description of any significant changes in accounting policies for the 24-month period prior to the historical period and any subsequent accounting changes through the date of the general rate case application and, if a forecasted test period is used, any future significant changes included in a future test period, along with their impact on the filing. Significant changes for this purpose are anything referenced or that would be referenced in footnotes of financial statements or auditor's reports.	Response to R746-700-22 D.1

Number:	Rule:	Location:
B.	If a non-forecasted test period is used in the application, the applicant shall provide information identifying and supporting each and every modification to the historical results of operations to arrive at the non-forecasted test period used in the general rate case application.	N/A
C.	If a fully or partially forecasted test period is used in the application, which forecasted test period was not previously approved by the Commission for the general rate case application, the following forecasted test period information shall be provided (the format of the forecasted test period data shall be comparable to the historical results of operation information):	
1	Revenues, with details supporting the test period revenues including (as applicable):	
a.	Usage, per customer by customer class	DEU Exhibit 3.14 & DEU Exhibit 3.15 and Response to R746-700-22-D.45
b.	Demand and energy usage	COS Input tab of "DEU Exhibit 4.18 Utah Rate Case Model.xls"
c.	Assumptions used in the development of the revenue forecasts	DEU Exhibit 3.0 Section II.C.
d.	Billing determinants, by customer class, used to calculate the forecast test period revenues.	DEU Exhibit 3.15 and DEU Exhibit 4.18 Utah Rate Case Model.xls Green tabs
e.	Charges, fees, and rates used in the forecast development	DEU Exhibit 4.18 Utah Rate Case Model.xls Green Tabs
f.	Contract changes or other specific changes anticipated in the forecast.	N/A
2	Operating Costs, using the same cost categories as used in the base period used for compliance with R746-700-10.A, with details supporting the test period operating cost information, including:	

Number:	Rule:	Location:
a.	Forecasted costs relying on escalators or drivers will include the details of the base costs and the key drivers that impact the forecasted amount. If forecasted costs are not based on historical levels that have been inflated or escalated, the applicant shall provide supporting documents in the most detailed level available.	DEU Exhibit 3.0 Section II.B. and II.C.
b.	The information will identify the index or rate of inflation applied to accounts, budget items or specific cost components that result in adjusted costs in the forecasted test period. Source documents supporting the index or rate of inflation applied will be identified and will be provided or made available.	DEU Exhibit 3.0 Section II.B., DEU Exhibits 3.10 through DEU Exhibit 3.13, DEU Exhibit 4.18 Utah Rate Case Model.xls "Projected Expenses" tabs
3	Labor Costs shall be identified separately. The applicant will provide:	
a.	The actual most recent number of full-time equivalent employees and, separately, the forecasted number of full-time equivalent employees for the forecasted period. The most recent number of actual contract labor employees and the forecasted number of contract labor employees for the test period will also be provided as available and separately identified. The most recent number of actual union labor employees and the forecasted number of union labor employees for the test period will also be provided as available and separately identified.	Response to R746-700-22 D.23
b.	The associated costs related to the full time equivalent labor and contract labor levels. Direct employees, contract employees, union and nonunion employees will each be provided separately.	Response to R746-700-22 B.4

Number:	Rule:	Location:
c.	Overtime costs, premiums, incentives, or other labor costs included in the forecast, with each provided separately. Union and nonunion costs shall be provided separately.	Response to R746-700-22 D.20
d.	Any assumed salary and wage increases included in the projected labor costs will be identified. Any of the increases supported by a union contract will be so identified.	Response to R746-700-22 B.4
e.	Pensions and benefits, overheads or other employee benefit costs that are included in the forecast period. Each of the separate employee benefit components will be separately identified (i.e., medical, dental, pensions, etc.) Any assumptions regarding projected increases in such costs caused by factors other than changes in full time employee levels will be identified and described, with supporting assumptions identified	Response to R746-700-22 B.4
f.	If projected increases in pension expense cause a material cost impact, at a minimum, the following information should be provided for one year prior to the historical period through the test period: service cost, interest cost, expected return on assets, net amortization and deferral, amortization of prior service cost, and total net periodic pension cost. The information shall also include for each of the 12-month periods the expected long-term rate of return on assets, discount rate, salary increase rate, amortization of transition asset or obligation, percent of pension cost capitalized, minimum required contribution per IRS, maximum allowable contribution per IRS, and actual (or projected) contribution made to the trust fund. Also included shall be the projected year-end balance at the end of each of the 12-month periods for accumulated benefit obligation, projected benefit obligation, fair value of plan assets, and market related value of assets.	The Company is projecting a decrease in pension expense.
4	Capital Expenditures or additions. The applicant will provide capital expenditures detail, and changes affecting rate base, including:	

Number:	Rule:	Location:
a.	The detail for the changes, beginning with the start of the historic period results of operation through the test period. The detail will include dollar amounts and in-service dates.	DEU Exhibit 3.0, Section II.A., DEU Exhibit 3.4, DEU Exhibit 3.5, and DEU Exhibit 4.18 Utah Rate Case Model.xls "Rate Base", "RB FORECAST" and "101_106 PROJECTION" tab.
b.	The detailed calculation of depreciation expense and accumulated depreciation impacts as a result of the capital expenditures affecting rate base. For depreciation expense, the information will include the balances by plant account or function, depending on how the projection is done, to which the depreciation rates are being applied and the respective depreciation rates being used, by account or function, depending on how the projection is done.	DEU Exhibit 3.0 Section II.D. DEU Exhibit 3.16 and DEU Exhibit 4.18 Utah Rate Case Model.xls "108_111 Projection" tab starting column O.
c.	Interdependencies of capital expenditures to operation and maintenance items will be identified.	There is no interdependency built into the forecast.
d.	A list will be provided of all major capital additions to rate base individually exceeding \$1,000,000 or 0.01% of total company net plant in service, whichever is greater for each year, beginning with the year prior to the historic periodic reported year through the test period. Projects under \$1,000,000 shall be grouped in aggregate utilizing the utility's usual plant categorizations. A brief description will be provided for each major capital addition in the list	DEU Exhibit 4.18 Utah Rate Case Model.xls "101_106 PROJECTION" tab starting line 90 and Response to R746-700-22 B.4
	<ul style="list-style-type: none"> i. exceeding 0.1% of total company net plant in service or \$5,000,000, whichever is greater, for an electrical corporation, or ii. exceeding 0.1% of total company net plant in service or \$1,000,000, whichever is greater, for a gas corporation. 	

Number:	Rule:	Location:
e.	Detailed calculation of plant retirements.	DEU Exhibit 4.18 Utah Rate Case Model.xls "101_106 PROJECTION" tab.
5	Regulatory Adjustments. The applicant will provide details of all the regulatory adjustments required in the filing:	
A.	Information for recurring regulatory adjustments, such as amortizations, indicating compliance with past Commission orders for any item included in the filing.	DEU Exhibit 3.0 Section III, DEU Exhibit 4.18 Utah Rate Case Model.xls "Summaries" and "Adjustments" tabs.
B.	Separately, a reversing adjustment and the reasons for non-inclusion or departure from a Commission ordered practice or adjustments if the applicant does not wish to have them apply to the application.	DEU Exhibit 3.0 Section III, DEU Exhibit 4.18 Utah Rate Case Model.xls
C .	Unless already included in unadjusted results, regulatory adjustment information will include disallowances from prior orders, implementation of accounting orders approved by the Commission, or other adjustments necessary to make the forecasted test period data acceptable for ratemaking in Utah. Each of the regulatory adjustments will be supported by prefiled testimony or a detailed description contained within the schedules.	DEU Exhibit 3.0 Section III, DEU Exhibit 4.18 Utah Rate Case Model.xls "Summaries" and "Adjustments" tabs.

Number:	Rule:	Location:
6	Other Rate Base. Details of other rate base accounts shall be provided by the applicant. For other items of rate base, such as deferred debits, accumulated deferred income taxes, materials and supplies, miscellaneous rate base, customer advances, deferred credits, etc., the applicant shall provide information showing the 12-month period of the historical results of operations, and any changes, both debits and credits, to those amounts through the test period resulting in the projected amount included in the filing. The information shall provide descriptions of any adjustments and modifications made to the historical period amounts and assumptions included in the projections. For any accounts in which no change from the historical level is proposed, a description of why the amount is not forecasted to change shall be included.	DEU Exhibit 3.0 Section II.A. and DEU Exhibit 4.18 Utah Rate Case Model.xls "Rate Base", "RB FORECAST", "PROJECTED ACC 252 (CONTR)" and "190_255_282 FORECAST" tabs
7	Taxes. Forecasting methods, calculations and key assumptions used to adjust historical tax information to projected costs and results will be provided on a tax item basis (i.e., income, FICA, property taxes, etc).	DEU Exhibit 4.18 Utah Rate Case Model.xls "Taxes" and "Other Taxes" tabs
Rule 746-700-21		
A.	Class Cost of Service Study	DEU Exhibit 4.0 DEU Exhibit 4.18 Utah Rate Case Model.xls "yellow tabs"
B.	Proposal for Spreading Revenue Requirement	DEU Exhibit 4.0 DEU Exhibit 4.18 Utah Rate Case Model.xls "COS Sum" tab
C.	Proposed Rate for Each Class	DEU Exhibit 4.0 DEU Exhibit 4.18 Utah Rate Case Model.xls "green tabs"

Number:	Rule:	Location:
D.	Proposed Tariff Sheets for Changes	DEU Exhibit 3.31
Rule 746-700-22		
	Additional Information	See accompanying disc, all required information is labeled to correspond with the subparts of Utah Administration Code R746-700-22.