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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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  
  
DOMINION ENERGY UTAH'S  
COMMENTS REGARDING PRUDENCY  
REVIEW FOR THE INFRASTRUCTURE  
TRACKER PROGRAM

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Pursuant to the Request for Comments issued by the Utah Public Service Commission (Commission) on January 13, 2021 in the above-referenced docket, Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) respectfully submits these comments.

On February 25, 2020, the Commission issued an Order in this Docket that stated:

The OCS requests that we clarify the intent and timing of the prudence review of ITP-related investments and monitor the size and scope of the ITP going forward. We find this request reasonable since the only guidance related to this subject was included in the Stipulation we approved in our June 3, 2010 order in Docket No. 09-057-16. Accordingly, we will soon invite comments in this docket to help refine the ITP prudence review procedures.

Report and Order issued February 25, 2020, Docket No. 19-057-02, ¶14.

On January 13, 2021, the Commission issued a Request for Comments providing interested parties with the opportunity to comment “regarding the prudence review of investments related to Dominion Energy Utah’s Infrastructure Tracker Program.” Request

for Comments issued January 13, 2021, Docket No. 19-057-02. Accordingly, the Company offers the following Comments.

Utah statute provides guidance as to what constitutes a prudent action. Utah Code Ann. §54-4-4 (4)(a) provides:

[T]he commission shall apply the following standards in making its prudence determination:

- (i) ensure just and reasonable rates for the retail ratepayers of the public utility in this state;
- (ii) focus on the reasonableness of the expense resulting from the action of the public utility judged as of the time the action was taken;
- (iii) determine whether a reasonable utility, knowing what the utility knew or reasonably should have known at the time of the action, would reasonably have incurred all or some portion of the expense, in taking the same or other prudent action; and
- (iv) apply other factors determined by the commission to be relevant, consistent with the standards specified in this section.

The Infrastructure Tracker Program (ITP) is comprised of distinct regulatory proceedings that provide procedures for the described prudence review. When the Commission initially approved the Settlement Stipulation in Docket No. 09-057-16, it approved a certain regulatory process that implicitly included prudency review. Though the ITP has evolved and additional criteria for projects have been imposed, the procedural regulatory framework approved in Docket No. 09-057-16 remains largely the same.

In Docket No. 09-057-16, the Commission approved a Settlement Stipulation that included, among other things, agreement upon the commencement of the ITP. Report and Order issued June 3, 2010, Docket No. 19-057-16. Under the terms of the Settlement Stipulation, the Company must file an Infrastructure Replacement Plan and Budget by November 15<sup>th</sup> of each year. That plan includes “an estimate of project costs, feeder lines scheduled for replacement and their locations.” Settlement Stipulation dated March 18, 2010, Docket No. 19-057-16 (2010 Stipulation) at ¶15.

The annual Infrastructure Replacement Plan and Budget (Annual Budget) provides the first annual opportunity for a prudence review. Each Annual Budget includes a list of the plant to be replaced, prioritizes those projects, and identifies the projects the Company will undertake in the upcoming year. The Company provides information with its Annual Budget sufficient to evidence its prudence and conducts technical conferences to answer any questions related to the Annual Budget. Any interested party may participate in the docket and offer argument and evidence as to whether the Company's prioritization or selection of projects is prudent, and whether its budget and plan is prudent. At the conclusion of each such docket, the Commission typically acknowledges the Annual Budget. Additionally, by June 30 of each year, the Company files an updated master list and replacement schedule in compliance with the Report and Order in Docket Nos. 19-057-02 and 13-057-05. These reports provide an update of the work performed for the prior year. These reports are also reviewed thoroughly by the Utah Division of Public Utilities (Division) and are typically acknowledged by the Division.

The Company notes that "acknowledgment" is not the same as approval. Occasionally, the plan described in an Annual Budget changes during the year. For example, one replacement project may be delayed as a result of permitting delays or unexpected challenges. Another replacement may move up in priority in order to coincide with a municipal or Department of Transportation project. These changes are all disclosed, discussed and documented in quarterly variance reports. Should the Commission determine that an order approving a budget is more appropriate for a prudence review than acknowledgement, then the Company would encourage the Commission to include language permitting flexibility in the plan and schedule to

accommodate unexpected occurrences, efficiency opportunities, and matters beyond the Company's control.

The cost recovery dockets associated with the ITP provide a regulatory framework for additional prudence review. The 2010 Settlement Stipulation provides that "the Company may file semi-annually, but will file at least annually, an application to adjust the surcharge for new investment in replacement infrastructure." 2010 Settlement Stipulation at ¶17. In each of these cost-recovery proceedings, interested parties may examine the prudence of the expenditures associated with the planned replacements. Said another way, interested parties can examine whether the Company executed its Annual Plan prudently, and whether the accounting associated with those activities is accurate. Indeed, the Division audits the expenditures before rates become final. Occasionally, the Company files a general rate case prior to the completion of a given Division audit. In those instances, rates become final at the conclusion of the general rate case. Once rates become final, there is no further opportunity for prudence review.

The existing process for establishing replacement priorities, an annual plan and budget, and cost recovery provide the Division and interested parties with ample opportunity to examine the prudence of the Company's actions, and for the Commission to make a prudence determination. The Company welcomes any further guidance the Commission deems appropriate.

RESPECTFULLY SUBMITTED this 15<sup>th</sup> day of March, 2021.

DOMINION ENERGY UTAH



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## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Dominion Energy Utah's Comments Regarding Prudency Review for the Infrastructure Replacement Tracker was served upon the following persons by e-mail on March 15, 2021:

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