



State of Utah

Department of Commerce Division of Public Utilities

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Recommendation

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Technical Consultant

Eric Orton, Technical Consultant

Date: April 8, 2019

Re: **In the Matter of the Annual Calculation of the Third-Party Billing Rate and Request for Tariff Change** Docket No. 19-057-T03

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the updated tariff sheets for section 8.08 Billing for Other Entities provided by Dominion Energy Utah (Gas Utility).

BACKGROUND

On June 1, 2017, the Gas Utility submitted its original Application in docket 17-057-T04 to the Commission. In a July 28, 2017, order the Commission approved the third-party billing rate, specifying that “On or before March 1 of each year, the Company shall calculate the per-line rate and file a letter with the Commission reflecting the rate, to be effective on April 1 of each year.” On March 21, 2019, the Gas Utility submitted its updated calculations for the per-line rate for a minimum charge per bill.

On that same day, the Commission issued an Action Request to the Division directing it to investigate the application and submit its comments on or before April 5, 2019. Additionally, on March 25, 2019 the Commission issued a notice of Filing and Comment Period with comments

due on or before April 8, 2019. This memorandum is the Division's response to the Action Request and its comments.

DISCUSSION

In its order approving the third-party billing rate, the Commission specifying that "On or before March 1 of each year, the Company shall calculate the per-line rate and file a letter with the Commission reflecting the rate, to be effective on April 1 of each year." This current letter notifying the Commission of the new rate was filed on March 21, 2019 with a requested effective date of May 1, 2019. The Gas Utility has not complied with the "on or before March 1" directive as was ordered, and the requested effective date is one month late.

However, after initiating a discussion regarding this delay with the Gas Utility, it informed the Division that there is no harm "because this is just an intercompany bill from DEU to Dominion Products and Services, the bill for April won't go out until after the Commission approves the rate." In other words, by having the invoice for April sent in May, neither the Third-Party Billing customer nor the Gas Utility will be harmed because the appropriate amount will be invoiced for the proper time period. The Division acknowledges that any problem this delay may potentially cause can be mitigated by the Gas Utility's affiliate relationship with the Third-Party Billing customer. Likewise, neither will this delay have a harmful impact on the Gas Utility's ratepayers in any noticeable way.

Exhibit 1.1 of this application shows the calculations of certain billing costs to the Gas Utility and the proposed charge for providing third party billing services. The Division has reviewed the calculations and asked the Gas Utility clarifying questions.

The Division also compared the filed docket No.17-057-T04 Exhibit 1.2, with docket no 18-057-T02 Exhibit 1.1U, as well as the Exhibit 1.1 in this filing. The Division notes that some of the major drivers for the new billing rate calculations are:

- Printer costs have increased, mainly in Depreciation and Labor & Labor Overhead categories.
- Total Mailings sent in 2018 were fewer.
- Inserter Depreciation and Labor & Labor Overhead categories increased while Maintenance costs have decreased substantially. The Gas Utility states that this was driven by a new software purchase for the Inserter.
- Total Investment increased substantially based on assumed replacement costs of similar model inserter and printer. While the rate of return on this investment did not change, because the Total Investment increased the actual dollars in this category increased as well.

- Many other account categories changed as well but to a much smaller degree.

Related to customer billings, the Gas Utility indicated that the total number of paper billing mailings to customers this year decreased by another 116,306. Apparently fewer customers are having the Company send paper bills to their homes, (this will proportionally increase the fixed costs of sending out bills).

The filed Exhibit 1.1A is the proposed tariff sheets in legislative format while Exhibit 1.1B is the proposed tariff sheets. The exhibits are accurate.

The rate for the first 11 lines is currently \$0.16219, and the proposed requested rate is an increase to \$0.16414. For each additional line above 11 lines the current rate is \$0.01474 and would increase to \$0.01492 for a difference of \$0.00195 and \$0.00018 respectively. This represents a total minimum cost per piece of \$0.052227 compared with the current minimum cost per piece of \$0.051606 or an increase of \$0.000620 per piece.

CONCLUSION

The Division is focused on ensuring that the stated costs and benefits of this proposed venture foist no burden, financial risk, or other costs onto ratepayers. Not seeing alarming anomalies in this filing, and watching the cost going in the direction we anticipated, the Division recommends the Commission approve the updated tariff sheets filed with this memo and make them effective May 1, 2019.

CC: Maria Wright, Division of Public Utilities
Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services