- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Dominion Energy Utah for an Adjustment to the Daily Transportation Imbalance Charge	DOCKET NO. 21-057-09
Application of Dominion Energy Utah to Account for the Excess Deferred Income Tax Amortization between January 2019 – March 2020	DOCKET NO. 21-057-10
Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah	DOCKET NO. 21-057-11 ORDER

ISSUED: May 28, 2021

SYNOPSIS

The Public Service Commission (PSC) approves the three applications Dominion Energy Utah (DEU) filed in the referenced dockets. Our approval of DEU's proposed rates results in a total net increase to the monthly bill of a typical GS residential customer using 80 decatherms (Dth) of natural gas, of $2.78, or 4.99 percent, from current rates.

The PSC approves the following applications on an interim basis, subject to audit, effective June 1, 2021:

i. Application of DEU for an Adjustment to the Daily Transportation Imbalance Charge (Docket No. 21-057-09) ("Daily TIC Application"); and

ii. Pass-Through Application of DEU for an Adjustment in Rates and Charges for Natural Gas Service in Utah (Docket No. 21-057-11) ("191 Account Application").

In addition, the PSC approves final rates and tariff modifications as requested in the Application of DEU to Account for the Excess Deferred Income Tax Amortization between January 2019 – March 2020 (Docket No. 21-057-10) ("EDIT Application") to change the Tax Reform Surcredit 3, effective June 1, 2021.[1]

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[1] The Tax Reform Surcredit 3, comprised of the 2018 excess deferred income tax (EDIT) amortization, is a component of DEU's distribution non-gas (DNG) rates and was initially approved by the PSC in Docket No. 17-057-26, *Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018"* (Order Approving April 23, 2019 Settlement Stipulation dated May 9, 2019). The Tax Reform Surcredit 3 initially went into effect June 1, 2018, and passed through to customers the benefits of the direct reduction in tax expense associated with the decrease in corporate income tax rates.

BACKGROUND

DEU filed the applications on April 30, 2021. Each application proposes discrete rate changes and modification to DEU's Utah Natural Gas Tariff PSCU 500 ("Tariff"), effective June 1, 2021.

On May 10, 2021, the PSC held a consolidated scheduling conference for the Dockets. On May 12, 2021, the PSC issued a Scheduling Order and Notice of Virtual Consolidated Hearing. On May 17, 2021, the Division of Public Utilities (DPU) filed comments and recommendations regarding the three applications. No other party petitioned to intervene or filed comments in any of the Dockets.

On May 25, 2021, the PSC held a consolidated hearing in the Dockets to consider each of the applications, during which DEU and DPU provided testimony.

FACTUAL BACKGROUND

Docket No. 21-057-09: Daily Transportation Imbalance Charge Application

The PSC approved a Daily TIC in Docket No. 14-057-31.[2] The rate is applicable to transportation customers taking service under DEU's MT, TSF/TSI, and TBF rate schedules. Since February 2016, DEU has assessed this charge, which is required to be recalculated as part of the 191 Application referenced above. The Daily TIC Application proposes to decrease the Daily TIC from \$0.07690 to \$0.07575 per Dth for daily imbalance volumes outside of a five

[2] *In the Matter of the Application of Questar Gas Company to Make Tariff Modifications to Charge Transportation Customers for Use of Supplier-Non-Gas Services*, Docket No. 14-057-31, Order issued November 9, 2015.

percent tolerance for transportation customers, using historical data for the twelve months ending March 31, 2021.[3]

DPU Supports the Daily TIC Application, Subject to an Audit.

DPU states the current imbalance charge has been in place since 2016, and the accuracy of the nomination process and the impact of transportation customers on DEU's distribution system continues to be a concern. While it appears to DPU that nominations have become more accurate since this rate was imposed, DPU indicates that several individual customers with gas nominations still fall outside the acceptable range. DPU noted that: (1) DEU's 109 largest transportation customers, which use 80 percent of the transportation gas volumes, account for 61 percent of the total volumetric Dths outside the tolerance limit; (2) conversely, the smaller customers (which represent the remaining 20 percent of the total transportation gas volumes) paid the remaining 39 percent of the total Dth outside the tolerance limit; and (3) most of the daily nominations for transportation customers are made through marketing companies and not all companies have the same level of accuracy with the daily nomination process. DPU states it will continue to analyze the historical gas nominations and will make any necessary recommendations. DPU testified the rates proposed in the Daily TIC Application are in the public interest, and recommends their approval on an interim basis, effective June 1, 2021, subject to audit and review.[4]

[3] Dominion Energy Utah Natural Gas Tariff PSCU 500, Section 5, Transportation Service, defines "'Daily imbalance' . . . [as] the difference between the customer's scheduled quantities, less fuel, and the customer's actual usage on any given day[.]"

[4] Live stream of May 25, 2021 Hearing, at 11:50.

Docket No. 21-057-10: Excess Deferred Income Tax (EDIT) Application

In its February 25, 2020 Report and Order in Docket No. 19-057-02[5], the PSC authorized DEU to extend Tax Reform Surcredit 3 by 12 months, until May 31, 2021, to refund customers approximately $3.6 million. According to DEU, the $3.6 million refund reflected a forecasted amount of $4,698,447 for the amortization of the protected plant-related EDIT for the period January 1, 2019 through March 1, 2020, less an adjustment of $1,097,748 for an over-amortization of the 2018 amount.[6] DEU testifies that on an actual basis it incurred a $2.6 million EDIT credit, or approximately $1 million less than the original $3.6 million estimate. As a result, DEU proposes to modify Tax Surcredit 3 in order to collect the $1 million over-amortization beginning June 1, 2021 and ending on May 31, 2022. According to DEU, there will be a small balance left at the end of the proposed EDIT amortization period. DEU proposes to report the balance to the PSC and then include that balance in the infrastructure rate adjustment mechanism ("Infrastructure RAM") in the fall of 2022.

DEU Exhibits 1.2 and 1.3, respectively, show the allocation to customer classes of the Tax Reform Surcredit 3 adjustment, and the associated customer class rate designs. The EDIT Application, DEU Exhibit 1.4, states modifying the Tax Reform Surcredit 3 will result in an increase of $0.70 per year (or 0.10 percent) on a typical DEU residential customer's annualized

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[5] *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 19-057-02, Order issued February 25, 2020.
[6] *See* DEU Exhibit 1.1.

bill.[7] DEU testified at hearing that it will identify the credit/debit that will be incorporated into the Infrastructure RAM and provide the supporting calculation.[8]

DPU Supports Adjusting Tax Reform Surcredit 3.

DPU recommends the PSC approve DEU's proposed modifications to Tariff Sections 2.02, 2.03, 2.04, 4.02, and 5.02 through 5.04 reflecting the adjustment to the Tax Reform Surcredit 3 in order to recover the overpayment to ratepayers resulting from the amortization of EDIT through the Tax Reform Surcredit 3 from June 1, 2020 through May 31, 2021. DPU states it reviewed the EDIT calculations, and spoke with DEU regarding the calculations and methods used in the EDIT Application. Based on its investigation, DPU believes the proposed Tariff modifications are just, reasonable, and in the public interest. DPU also recommends the PSC accept DEU's proposal to include any remaining balance at the conclusion of the Tax Reform Surcredit 3 in May 2022 into the Infrastructure RAM.

Docket No. 21-057-11: 191 Account Application

The 191 Account Application proposes adjustments in rates and charges for natural gas service related to DEU's Account 191.1 of the Uniform System of Accounts, Unrecovered Purchased Gas Costs ("191 Account").[9] Page two of the 191 Account Application states DEU's

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[7] DEU's calculation of the increase of $0.70 per year (0.10 percent) on a typical DEU residential customer's annualized bill assumes the expiration of the Tax Reform Surcredit 3 rate on May 31, 2021 before implementation of the new rate. Expiration of the Tax Reform Surcredit 3 alone results in an increase of $2.54 (or 0.38%). Because DEU now seeks to modify the Tax Reform Surcredit 3, not let it fully expire, a typical residential customer will realize an annual increase of approximately $3.35 per year if the increase is calculated from currently approved rates. DPU recognizes this change in its testimony when it calculates a residential customer bill impact of $33.38 ($30.08 from Docket No. 21-057-11 and $3.25 from Docket No. 21-057-09).

[8] Live stream of May 25, 2021 Hearing, at 17:52.

[9] *See* DEU's Utah Natural Gas Tariff PSCU 500 at 2-1 to 2-9. As the PSC recognized in an earlier docket, "[t]he 191 Account's purpose is to allow [DEU] to recover, on a dollar-for-dollar basis, the difference between projected gas costs and the actual costs [DEU] incurs to purchase gas. In addition to commodity gas costs, the 191 Account also

request is based on projected Utah gas-related costs of approximately $507.060 million for the forecast test year ending May 31, 2022 ("Test Year"). This represents an overall increase of approximately $43.023 million, reflecting a projected $37.358 million increase in commodity costs and a projected $5.666 million increase in supplier non-gas (SNG) costs. The 191 Account Application includes updated Tariff Pages 2-2 through 2-6, 4-3, 4-4, 5-6, 5-7, 5-10, and 5-11, with a proposed effective date of June 1, 2021.

The 191 Account Application Seeks an Increase of Approximately $0.33 per Dth in the Commodity Component of Rates.

The 191 Account Application proposes to increase DEU's total commodity rate from $3.87 per Dth to $4.20 per Dth.[10] DEU's proposed commodity rate represents the sum of the "Base Gas Cost" rate plus the "191 Amortization Rate" as shown below:

	Current Commodity Rate per Dth	**Proposed Commodity Rate per Dth**
Base Gas Cost	$3.66269	$3.71337
191 Amortization Rate	$0.22099	$0.49074
Tax Reform Surcredit 4	($0.00972)	($0.00000)
Total Commodity Rate	**$3.87396**	**$4.20411**

The net commodity rate increase is due to an increase in Base Gas Costs and the amortization portion of the 191 Account balance. The amortization reflects a 191 Account commodity balance of $55.599 million as of March 2021, which DEU proposes to amortize with a 191 Amortization

tracks certain 'supplier non-gas costs' . . . which are costs associated with gathering, processing, transporting[,] and storing gas." *In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 16-057-05, Order Memorializing Bench Rulings at 2, issued July 11, 2016.

[10] 191 Account Application, Ex. 1.5, p.1.

Rate of $0.49074 per Dth. DEU states the magnitude of the amortization amount is due to the extreme weather event in Texas in February 2021.

The 191 Account Application Seeks to End Tax Reform Surcredit 4.

DEU proposes to end, on May 31, 2021, the amortization of the Tax Reform Surcredit 4,[11] representing the unprotected EDIT totaling $1,083,300 approved in Docket No. 20-057-07. DEU stated that any difference will be trued up "at the conclusion of the period of one year."[12]

The 191 Account Application Seeks a Credit of $0.33706 per Dth Applicable to the Natural Gas Vehicle (NGV) Commodity Rate.

The Order issued October 30, 2020 in Docket No. 20-057-14 directed DEU to evaluate other possible, more transparent, accounting methods to handle NGV Renewable Information Number (RIN) credits. DEU has evaluated and changed the method to account for NGV RIN credits by recognizing them in the amortization rate rather than the commodity rate. In August 2020, RIN proceeds of $20,428 were generated through renewable natural gas sales at DEU's compressed natural gas station. DEU expects $11,489 to be amortized by June 1, 2021 and proposes to return the remaining amount of $8,939 to NGV customers. In addition, new RIN proceeds of $57,906 were received from September 2020 to March 2021, resulting in RIN proceeds of $66,845 to be amortized over the Test Year. Based on forecast NGV Dths, DEU proposes a credit of $0.33706 per Dth in the commodity rate for NGV customers.[13] The October 30, 2020 Order also requested that DEU provide additional information regarding Bluesource,

[11] Tax Reform Surcredit 4 reflects the difference in timing between when DEU pays for commodity supplies versus when it receives cost recovery due to the Tax Cuts and Jobs Act of 2017.
[12] *See* 191 Account Application, ¶ 16.
[13] *Id.,* ¶ 18.

including any contract. The 191 Account Application includes DEU's contract with Bluesource as DEU Exhibit 1.9.

The 191 Account Application Seeks a $5.667 Million Increase in Total Revenue Collections Tied to SNG Rates During the Test Year.

DEU's Total forecasted Net SNG cost of $91.722 million is the sum of the forecast SNG costs ($86.349 million to be recovered in the SNG Base rate) and the current 191 SNG Account balance adjusted to maintain the SNG Account balance within the +/-$14 million[14] ($5.373 million to be recovered in the SNG Amortization Rate). This Net SNG cost is an increase from the $85.555 million forecast in Docket No. 20-057-14.[15] Current SNG rates are estimated to recover $86.055 million. DEU proposes the following changes to the SNG Base Rate and the SNG Amortization Rate:[16]

	Current SNG Rate per Dth	**Proposed SNG Rate per Dth**
GS Rate Schedule		
Summer Blocks 1 and 2[17]		
SNG Base Rate	$0.37445	$0.37862
SNG Amortization Rate	$0.00429	$0.02356
Total	**$0.37874**	**$0.40218**
Winter Blocks 1 and 2		
SNG Base Rate	$0.89193	$0.90264
SNG Amortization Rate	$0.01022	$0.05618
Total	**$0.90215**	**$0.95882**

[14] This amount is changed from the +/-$20 million variation previously used by DEU due to changes in the definitions of SNG costs, which the PSC approved in *Application of Dominion Energy Utah for Approval of Modifications to Tariff Section 2.06*, Docket No. 19-057-T01, Order Approving Dominion Energy Utah's Modifications to Tariff Section 2.06, issued May 9, 2019.
[15] *Pass-Through Application of Dominion Energy Utah for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 20-057-14.
[16] 191 Account Application, Ex. 1.5, p.6.
[17] The GS Block 1 rate is applicable to the first 45 Dth; Block 2 is applicable to usage greater than 45 Dth.

FS Rate Schedule		
Summer Blocks 1, 2, and 3		
SNG Base Rate	$0.64017	$0.69057
SNG Amortization Rate	$0.00852	$0.04298
Total	**$0.64869**	**$0.73355**
Winter Blocks 1, 2, and 3		
SNG Base Rate	$0.81738	$0.85460
SNG Amortization Rate	$0.00989	$0.05319
Total	**$0.82727**	**$0.90779**
NGV Rate Schedule		
SNG Base Rate	$0.94498	$0.99777
SNG Amortization Rate	$0.00866	$0.06210
Total	**$0.95364**	**$1.05987**
IS Rate Schedule		
SNG Base Rate	$0.17957	$0.17957[18]
SNG Amortization Rate	not applicable	not applicable
Total	**$0.17957**	**$0.17957**

DPU Supports the 191 Account Application, Subject to an Audit, and No Party Opposes the Application.

DPU testified the rates proposed in the 191 Account Application are just and reasonable, and in the public interest, and recommends their approval on an interim basis, effective June 1, 2021, subject to audit and review.[19] DPU calculates that approval of the 191 Account Application will result in an increase to the annual bill of a typical GS residential customer using 80 Dth per year, of $30.08, or 4.50 percent. No party opposes the 191 Account Application. DPU also testified that DEU's new accounting method for NGV RIN credits is more transparent than

[18] *See* 191 Account Application, Ex. 1.5, p.3, n.1 for calculation.
[19] Live stream of May 25, 2021 Hearing, at 37:10.

the previous method, and that DPU is comfortable with the level of transparency provided in DEU's filing.[20]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based on DEU's applications and exhibits, DPU's comments and recommendations, the testimony and evidence presented at the consolidated hearing, and there being no opposition from any party, we find that substantial evidence exists to conclude that the rates proposed in Docket Nos. 21-057-09, 21-057-10, and 21-057-11 are just, reasonable, and in the public interest.

Based on DPU's recommendation, we find DEU's proposal to report the EDIT account balance to the PSC and include the final balance in the Infrastructure RAM in the fall of 2022 is reasonable. The proposed method is also transparent, and efficient and therefore we approve it.

The PSC requests DPU to address the RIN credit transparency issue when recommending final rates in this docket.

ORDER

Therefore, we approve:

1) the 191 Application and the Daily TIC Application, and the rates proposed therein, on an interim basis, effective June 1, 2021, pending the results of DPU's forthcoming audits;
2) the EDIT Application, and the rates proposed therein, on a final basis, effective June 1, 2021;

[20] *Id.*, at 39:35-40.

3) the modifications to DEU's Utah Natural Gas Tariff PSCU 500 Pages 2-2 through 2-6, 4-3, 4-4, and 5-6 through 5-11; and
4) DEU's proposal to report the final EDIT balance associated with Tax Reform Surcredit 3 and include it in the Infrastructure RAM in the fall of 2022.

DATED at Salt Lake City, Utah, May 28, 2021.

/s/ Yvonne R. Hogle
Presiding Officer

Approved and confirmed May 28, 2021, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#318889

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on May 28, 2021, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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