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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Eric Orton, Technical Consultant

Date: November 20, 2017

Subject: Action Request Response regarding Docket No. 17-057-23.

In the Matter of the Application of Dominion Energy Utah to Change the Infrastructure Rate Adjustment – 17-057-23.

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) authorize the proposed new rates as requested by Dominion Energy Utah (Company) in its applications. After a preliminary review of the applications, the Division recommends approval, on an interim basis with an effective date of December 1, 2017. The Division recommends that these requested rate changes be approved on an interim basis in order to allow additional time for the Division to complete an audit of the individual entries in the respective accounts.

BACKGROUND

In this filing the Company requests a slight reduction to the infrastructure replacement rate filed September 1, 2017. On September 29, 2017, a hearing was held wherein the Commission issued a bench ruling approving the interim rates with the rate effective date of October 1, 2017. The Commission followed up the bench ruling with a written order memorializing its bench ruling issued on November 2, 2017.

On November 1, 2017, the Company filed the application identified above with the Commission for Docket No. 17-057-23. On that same date, the Commission issued its Action Request directing the Division to review the application and make recommendations. The Commission ordered that initial comments and the Division's response to the Commission's Action Request be due on November 20, 2017, with reply comments due on November 22, 2017, and with the hearing scheduled on November 27, 2017 at 9:00 am. This is the Division's Action Request Response and its initial comments.

ISSUES

In the past two months the Company has increased plant-in-service and retired plant resulting in a revenue requirement request of $24.623 million. The last filing in September had a revenue requirement of $25.328 million. Therefore, this filing is a request for a reduction in revenue requirement in the Tracker of $704,706.

DISCUSSSION

In this filing, the Company shows the amounts and dates of when infrastructure investment was closed and placed into service. The Company now proposes to collect in rates the revenue requirement associated with these investment amounts. The Company supports this application by including six exhibits.

Exhibit 1.1 provides the dollar amounts showing the infrastructure investment from September 2016 through October 2017. Exhibit 1.1 page 4 of 4 summarizes the preceding exhibit pages and shows the calculations resulting in the revised incremental revenue requirement, which is a decrease of approximately $0.704 million (see Exhibit 1.1 page 4 of 4 line 16).

This revenue requirement decrease comes on the heels of a $5.9 million increase just two months ago. However, within the past two months the Company discovered that it had erroneously excluded two IHP projects in the previous infrastructure rate adjustment filing (17-057-18) that were closed and placed into service but not recorded in the filing. These IHP projects totaled to $3.25 million, which the Company would now like to include in rates without delay.

Additionally, during these same two months, an error was discovered and some of the accumulated deferred income tax was not included. The corrected amount would have resulted in an incremental revenue requirement or $5.569 million rather than the $5.915 million in the previous application. Had this amount been included, it would have lowered the annual revenue requirement by $346,207. Although the incorrect amount was ordered (on an interim basis), the Company has collected the incorrect amount for only the past two months. To correct this two month over collection, it is now necessary to include a revenue requirement reduction totaling $57,574.

Also, included in this filing is the credit to the Tracker as a result of the Interruptible Penalty in the amount of $655,756. This credit represents the to-date total of the penalty collected from the interruptible customers as a result from the January 6, 2017 event. The Company has been collecting these penalties from its interruptible customers for the past several months and believes that the amount is inclusive of the total it is required to collect. There is a possibility that the penalty amount may change as disputes with interruptible customers are resolved (see the Division's Supplemental Action Request Response in Docket No. 17-057-18). The Division will evaluate any settlements to determine whether lower collection amounts should be include or not.

In summary, with the increase in IHP infrastructure rate base, the correction of the error and the interruption penalty, the Company has a total proposed revenue requirement of $24.623 million or an Incremental Revenue Requirement Reduction of $704,706.

Exhibit 1.2 is the revised calculation showing the previous docket (from September), which demonstrates the calculations resulting in the $57,574 reduction mentioned above.

Exhibit 1.3 shows the proposed Cost of Service Allocation of this $704,706 reduction per prior Commission order in Docket No.13-057-19.

Exhibit 1.4 shows how this amount will be divided using the demand charge and volumetric rates to collect the proper amount from each customer class.

Exhibit 1.5 shows the monthly change to a typical GS customer of an annual decrease of $0.49 or 0.07 %.

Exhibit 1.6 shows the legislative and rate schedule tariff sheets in the applicable classes of customers.

CONCLUSION

This application complies with past Commission orders and the proposed tariff sheets accurately reflect the proposed changes filed by the Company. The Division has reviewed the filing along with the respective exhibits and tentatively agrees with the methods used by the Company.

Therefore, the Division recommends that the Commission approve the proposed rates on an interim basis until the Division can complete its audits, at which time it will make a final recommendation to the Commission. This initial review does not constitute the Division's final post-audit position, which will be presented when the Division submits the results of its audits, to be completed after the Company's 2017 books are closed.

CC: Kelly Mendenhall, Questar Gas Company
Michele Beck, Office of Consumer Services