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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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"	**Docket No. 17-057-26** **UAE'S COMMENTS IN RESPONSE TO DEU DEFERRED ACCOUNTING FILING AND DIVISION COMMENTS**

In accordance with the Commission's Notice of Comment Period in this docket dated December 21, 2017, the Utah Association of Energy Users ("UAE") files these comments in response to the filing made by Dominion Energy Utah ("DEU") in this docket on January 31, 2018, and also in response to comments filed in this docket by the Utah Division of Public Utilities ("Division") on February 16, 2018.

This docket was initiated by the Commission last December to explore ratemaking implications of significant changes to federal tax rates. On January 2, 2018, UAE filed a motion for deferred accounting treatment of all benefits associated with the U.S. Tax Reconciliation Act ("DAO Motion"). Specifically, UAE sought an order deferring for later ratemaking treatment all savings or benefits received or realized by DEU as a result of the reduced tax rates. Other parties, including the Division and the Office of Consumer Services supported the DAO Motion. DEU filed comments also supporting deferral, and promising to provide a detailed proposal on January 31, 2018.

DNG Tax Savings and Allocation. DEU's deferred accounting proposal is presented in the Direct Testimony of Kelly B. Mendenhall. Mr. Mendenhall recalculated DEU's imputed tax expense on its base distribution non-gas ("DNG") revenue requirement by substituting a 21% federal tax rate for the 35% federal tax rate used to determine the DNG revenue requirement in the Company's last general rate case, Docket No. 13-057-05. Mr. Mendenhall's analysis resulted in a proposed annual revenue requirement reduction of $14,519,623, which DEU acknowledges should be deferred for the benefit of customers effective January 1, 2018. Mr. Mendenhall proposed to allocate a percentage share of these deferral benefit to each class based on each class's proportion of the approved base distribution non-gas revenue requirement determined in Docket No. 13-057-05, after taking into account the impacts of the changes in the Company's depreciation rates approved in Docket No. 13-057-19.

UAE supports DEU's approach to calculating the DNG revenue requirement tax benefit to be deferred, and its proposal for allocating those benefits to customer classes, Both are just and reasonable and should be approved by the Commission.

Refund Mechanism. The Division's comments generally accepted DEU's calculation of tax savings, but recommended that the recognition of benefits by customers be accelerated through a new mechanism to more quickly refund DNG cost tax savings to ratepayers, similar in operation to the 191 account or the infrastructure tracker. The Division proposed creation of a separate line item on each customer bill to account for the annual tax savings going forward, until these savings can be accounted for in a future general rate case.

UAE supports the Division's recommendation to accelerate the crediting of tax deferral benefits to customers through a line item sur-credit.[1] UAE believes that such an approach is reasonable and in the public interest. UAE submits that such a sur-credit approach is the most effective means of returning tax savings to the right customers as quickly as possible.

Infrastructure Tracker. Mr. Mendenhall's testimony also provided a separate calculation designed to incorporate the benefits of tax reductions into the infrastructure tracker, which were calculated at $2,518,628 per year. UAE also supports as just and reasonable the tax reduction adjustment to the infrastructure tracker as proposed by Mr. Mendenhall.

Deferred Income Taxes. Mr. Mendenhall's testimony indicated that DEU is still attempting to determine the impact of the tax law change on the Company's deferred income tax balances. Mr. Mendenhall indicated that, once DEU has completed its calculations as to the amount of excess deferred income tax and its proposal for appropriate treatment, it will propose changes to the revenue requirement caused by excess deferred income taxes in a supplemental filing in this docket and in the infrastructure rate adjustment docket.

UAE recognizes that the determination of the impact of the tax law change on deferred income taxes is complex. Therefore, UAE does not object to DEU's proposal to address those

[1] Although the Division specifically recommends crediting to customers the tax expense reduction amount of $14,448,446, UAE believes the correct amount to credit is the revenue requirement reduction of $14,519,623 identified by Mr. Mendenhall in DEU Exhibit 1.2, column D, line 3. See also, Mr. Mendenhall's direct testimony, lines 59-71.

impacts on DNG revenue requirement at a later date following supplemental filings and any necessary supplemental proceedings.

<u>Requested Relief</u>. UAE respectfully asks the Commission to grant its DAO Motion and to enter deferred accounting orders requiring that all benefits of the tax legislation be preserved for customers beginning January 1, 2018. Specifically, UAE asks the Commission to enter orders requiring DEU to (i) adjust current DNG rates through a line item sur-credit as soon as practicable, designed to return $14,519,623 to customers during calendar year 2018, and a similar amount each year thereafter until such savings can be fully accounted for in a future general rate case; (ii) allocate the deferral benefit among classes based on each class's proportionate share of the base distribution non-gas revenue requirement determined in Docket No. 13-057-05, after taking into account the impacts of the changes in the Company's depreciation rates approved in Docket No. 13-057-19; (iii) incorporate an annual reduction of $2,518,628 into the infrastructure tracker; and (iv) submit proposals in this docket and the infrastructure rate adjustment docket within a reasonable amount of time for incorporating changes to the revenue requirement caused by excess deferred income taxes.

DATED this 16th day of February 2018.

HATCH, JAMES & DODGE

/s/ ____________________
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 16th day of February 2018 on the following:

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