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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

APPLICATION OF DOMINION ENERGY UTAH TO PROVIDE THE IMPACTS OF THE NEW FEDERAL LEGISLATION TITLED: "AN ACT TO PROVIDE FOR THE RECONCILIATION PURSUANT TO TITLES II AND V OF THE CONCURRENT RESOLUTION OF THE BUDGET FOR FISCAL YEAR 2018"	Docket No. 17-057-26 SUBMISSION OF SUPPLEMENTAL INFORMATION AND MOTION TO MODIFY AND REPLACE TARIFF SCHEDULES

Questar Gas Company dba Dominion Energy Utah (Dominion Energy or the Company) respectfully moves the Utah Public Service Commission (Commission) for the modification and replacement of the Utah Natural Gas Tariff No. 500 (Tariff) sheets for the GS, FS, IS, TS, FT-1, and NGV classes. The attached replacement Tariff sheets reflect changes to the distribution non-gas cost portions of the mentioned rate schedules to reflect the impact of tax rate treatment recently signed into law as part of the 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 or Tax Cuts and Jobs Act." (TCJA). In support of this motion, Dominion Energy states:

1. Procedural History. On December 22, 2017, the TCJA was signed into law. A major component of this act was to reduce the corporate federal income tax from 35% to 21%, starting January 1, 2018. On December 21, 2017, the Public Service Commission of Utah (Commission) opened Docket No. 17-057-26 to investigate the

revenue requirement impact of the TCJA and ordered the Company to file by January 31, 2018, the impacts of the TCJA on the Company's revenue requirement. On January 31, 2018, the Company filed testimony in response to the December 21 notice of comment period and requested that the Company be allowed to begin deferring the tax benefits of the Base DNG rates to customers on January 1, 2018. The Company began deferring estimates of those benefits on its books in January 2018. On March 7, 2018, the Commission issued a Scheduling Order requiring the Company to provide a Supplemental Filing by April 2, 2018. Meanwhile, in Docket No. 17-057-23, on January 31, 2018, the Company filed an application to modify the Infrastructure Rate Adjustment (Tracker), requesting a reduction of the Tracker rates to reflect the impact of the TCJA on the pretax rate of return. On February 21, 2018, the Commission approved the new Tracker rates in Docket No. 18-057-T01.

On February 16, 2018, the Division of Public Utilities (DPU) filed comments recommending the creation of an immediate refund mechanism to return tax benefits to customers. While in agreement that the tax benefits should be passed on to customers as quickly as possible, the Company proposes a solution that will reduce customer confusion and be the easiest to administer. The Company proposes to implement a surcredit on June 1, 2018, and to defer the pre-June 1st savings in a regulatory liability account until the 1st quarter of 2019, or earlier, depending on when the impact of excess deferred income taxes can be determined. At that time, the Company will make an additional filing to explain the impact of excess deferred income taxes and propose how to return the deferred benefits back to customers. Addressing the deferred liability at the same time as the excess deferred income tax impacts will create a smoother rate transition and will be administratively more efficient. In addition, this proposal will balance both the long-term and short-term financial impacts, specifically recognizing the potential negative impact on the credit metrics of the Company. On January 19, 2018, Moody's Investor Service (Moody's) changed the ratings outlook of the Company, as well as 23 other utilities, from stable to negative based on the recent tax legislation. A copy of the rating action is attached as DEU Exhibit 1.1. In the report, Moody's addresses concerns that tax reform may cause deterioration in credit metrics for certain utilities, based on the potential for cash flow shortages and uncertainty in the timing of regulatory actions and corporate finance policies. This proposal is an effort to balance the potential negative credit metric impacts with the desire to return tax benefits to customers as quickly as possible. The Company believes that this approach will help it to protect its credit ratings and avoid higher long term debt costs, which could ultimately be borne by ratepayers. The calculation of the tax reform surcredit and the deferred savings are described more fully below.

2. Calculation of a Tax Reform Surcredit. The Company proposes to calculate the tax benefit to customers using its last approved revenue requirement based on the 2014 test period in Docket No. 13-057-19. Exhibit 1.2 shows the effect of the updated tax law on the revenue requirement. Exhibit 1.2, column B shows the revenue requirement calculation previously approved in Docket No. 13-057-19. Column C shows the revised revenue requirement calculation. Column D shows the differences related to the new tax treatment. As shown on line 3, Column D, the change in the revenue requirement is a $14.5 million reduction.

Exhibit 1.3 shows the calculation of the tax reform surcredit by customer class, using the class cost of service approved in Docket No. 13-057-19. Column E of the Exhibit shows the Commission approved rates in Docket 13-057-19. Column H shows what the rates would be if the 35% federal income tax rate in the model is reduced to the newly approved 21% federal income tax rate. Column J shows the difference between the rate in column E and the rate in Column H. This difference in Column J is the tax reform rate surcredit that the Company proposes to use, beginning June 1, 2018, to return the income tax expense reduction benefit to customers. By applying this surcredit beginning June 1, 2018, until new rates are approved in the next general rate case, customers will realize the benefit of reduced income tax expense by using the same revenue requirement and cost of service methodology that was approved in the 2013 general rate case. The tax savings from January 1 through May 31 will be deferred in a regulatory liability account as discussed below.

The Company proposes to calculate the tax savings from January 1, 2018 through May 31, 2018 by multiplying the tax reform surcredit by the actual billing determinants of each month. The actual amounts for January and February are shown in lines 1 and 2 of Exhibit 1.4. The estimated amounts from March through May are shown in lines 3 through 5. The Company proposes to defer the actual amounts in a regulatory liability account until the impacts of accumulated deferred income taxes are determined. As discussed below, the Company will provide another supplementary filing detailing the excess deferred income tax impacts and a proposal to treat such impacts, including a proposal to return the January 1 through May 31 deferred amounts to customers.

3. Change in Typical Customer's Bill. Exhibit 1.5 shows that, if approved, the typical customer will see a decrease in their bill of $10.91 per year, or about 1.5%.

4. Proposed Tariff Sheets. Exhibit 1.6 shows the proposed Tariff rate schedules that reflect the changes reflected in items 1 through 3. The Company proposes that this rate surcredit become effective June 1, 2018.

5. Excess Accumulated Deferred Income Taxes. The Company notes that, in addition to the reduction in income tax expense described above, it continues to study the impacts the TCJA will have on accumulated deferred income taxes (ADIT) included in the rate-base calculation of the revenue requirement. When the Company accurately defines the full extent of this impact, it will file an additional revision to account for any changes related to the ADIT balance. It is anticipated that the impact of deferred income taxes will be known and a filing will be made in the 1st quarter of 2019, or earlier. As mentioned earlier, the Company also proposes to defer the tax benefits

accrued from January 1 through May 31, 2018, or whichever date the Commission proposes to make effective this rate change, to a regulatory liability to be refunded to customers at a time to be determined when the ADIT impacts are finalized.

6. Separate Bill Line Item. In its February 16 filing, the Division of Public Utilities proposed that a separate line item on the customer bill be created to account for the annual tax savings going forward until these savings can be accounted for in a general rate case in the future. The Company has concerns with this proposal for a number of reasons. First, the tax savings amount is relatively small compared to the overall monthly bill and may create misunderstandings of billing statements. For example, as shown in Exhibit 1.5, the tax savings for a typical GS Customer's highest monthly bill is $2.18 in January compared to the total January bill of $124.66. The Company believes that adding this small savings calculation as a separate line item to the bill would result in increased customer questions to the regulators and the Company call center. For example, the surcredit, which benefits customers, could be seen by some estimates as a new surcharge on the bill even though the associated dollar amount is negative. There would most likely be questions asking for explanations regardless of how descriptive the line item is. It is the Company's experience that any time changes are made to the bill, it generates customer questions and confusion. Customers will most likely have questions in June 2018, when the new item is included on the bill and additional questions and potential frustration could occur in March 2020 when the bill component is eliminated because new base rates go into effect. A customer who had become accustomed to seeing a credit on their bill each month might think that the tax benefit had been taken away, when in reality, the tax saving had been built into the base rate going forward. Additionally, this bill item would take time and resources to program. Due to the short duration of the tax reform surcredit and the minor impact it has on customer bills, the Company requests that the separate bill line item not be required.

7. Exhibits. Dominion Energy submits the following exhibits in support of its request to submit the information contained herein and the attached Tariff sheets:

Exhibit 1.1	Moody's Rating Action
Exhibit 1.2	Revenue Requirement Impact
Exhibit 1.3	Tax Reform Rate Adjustment
Exhibit 1.4	Monthly Deferral Summary
Exhibit 1.5	GS Customer Impact
Exhibit 1.6	Legislative and Proposed Tariff Sheets

WHEREFORE, Dominion Energy respectfully requests that the Commission accept and approve the updated Tariff sheets effective June 1, 2018. The Company also proposes to defer the tax benefits accrued from January 1 through May 31, 2018, and to report the impact of the excess deferred income taxes, as well as any other impacts regarding TCJA when the Company can accurately define the full extent of these tax law changes and the manner in which it should be recognized in customer rates.

DATED this 2nd day of April, 2018.

Respectfully submitted,

Arminda Spencer (13769)
Attorney for Questar Gas Company dba
Dominon Energy Utah

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of Dominion Energy Utah's Submission of Supplemental Information and Motion to Modify and Replace Tariff Schedules was served upon the following persons by e-mail on April 2, 2018:

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