- 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 ORDER MEMORIALIZING BENCH RULING APPROVING SETTLEMENT STIPULATION

ISSUED: June 1, 2018

SYNOPSIS

The Public Service Commission ("PSC") approves a settlement stipulation related to the changes in the federal income tax rate from 35 percent to 21 percent, resulting in a $14.5 million annual revenue requirement decrease, effective June 1, 2018. The Stipulation also identifies the type and timing of certain other federal income tax reduction-related benefits to be returned to customers in the future.

The $14.5 million revenue requirement decrease results in an annual bill decrease of approximately $13.09, or 1.79 percent, for a typical residential customer using 82 decatherms of natural gas per year.

BACKGROUND AND PROCEDURAL HISTORY

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") was signed into law on December 22, 2017. The TCJA reduced the corporate federal income tax rate from 35 percent to 21 percent, effective January 1, 2018. On December 21, 2017, the PSC opened Docket No. 17-057-26 and ordered Dominion Energy Utah ("Dominion") to investigate and file comments on the impacts of the TCJA on Dominion's revenue requirement by January 31, 2018. On January 2, 2018, the Utah Association of Energy Users ("UAE") filed a motion for deferred accounting treatment of all benefits associated with the TCJA.

On January 31, 2018, Dominion filed comments, requesting approval to begin deferring the tax benefits of the base distribution non-gas rates to customers effective January 1, 2018. On February 21, 2018, the PSC granted UAE's motion for deferred accounting.

On March 7, 2018, the PSC issued a scheduling order requiring Dominion to provide a supplemental filing, which Dominion did on April 2, 2018. The supplemental filing included estimates of the TCJA impact on Dominion's revenue requirement and a motion to modify and replace tariff schedules to implement a tax reform surcredit to return the TCJA-income-tax-expense reduction benefit to customers. The Division of Public Utilities ("DPU"), the Office of Consumer Services ("OCS"), and UAE provided comments throughout the proceeding. No other parties requested intervention or filed comments in this docket.

On May 16, 2018, Dominion, the DPU, the OCS, and UAE ("Parties") filed a settlement stipulation ("Stipulation") in which the Parties agree to the following terms: 1) a $14.5 million revenue requirement reduction, or surcredit, effective June 1, 2018 until the effective date of new rates approved by the PSC in Dominion's next general rate case ("GRC"); 2) an additional tax-related surcredit to return the excess income taxes collected by Dominion between January 1 and May 31, 2018 to be effective August 1, 2018; 3) Dominion will reflect the surcredits on customer bills as a separate line item; and 4) Dominion will file a report with the PSC by the end of the first quarter 2019 containing details of all estimated impacts of the federal tax rate reduction on Dominion's excess deferred federal income taxes ("EDIT") and all EDIT tax benefits related to the TCJA will be returned to customers in a matter determined by the PSC in Dominion's next GRC. The Stipulation is attached as an appendix to this order.

The PSC held a hearing on May 24, 2018 to consider the Stipulation. Dominion provided a summary of the Stipulation and testified the Stipulation is a fair and reasonable way to pass on the benefits of tax reform to customers. In addition, Dominion submitted revised tariff sheets reflecting the rates proposed in the Stipulation. The DPU also testified in support of the Stipulation and expressed that it is just and reasonable, and in the public interest. The OCS also testified it fully supports the Stipulation. The OCS stated the Stipulation will provide benefits to residential and small commercial customers and that the Stipulation is in the public interest. Additionally, counsel for UAE entered an appearance but provided no witness. No party opposed the Stipulation.

At the conclusion of the hearing, Dominion moved for a bench order approving the Stipulation. No party opposed Dominion's motion. Based on the filed comments and exhibits, the Stipulation, and the testimony offered at hearing, the PSC granted Dominion's motion and approved the Stipulation. This Order memorializes that ruling.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Settlements of matters before the PSC are encouraged at any stage of a proceeding.[1] In evaluating a settlement, we consider it as a whole and must find whether the settlement is just and reasonable in result and whether the record evidence supports this finding.[2]

The evidence in this docket is uncontested. Consistent with their testimony at hearing, the Parties agree in Paragraph 5 of the Stipulation that settlement of issues identified in the Stipulation "is in the public interest and that the results are just and reasonable."[3]

[1] *See* Utah Code Ann. § 54-7-1(3)(a).
[2] *See* Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).
[3] Stipulation at 4, ¶ 5.

Based on the filed comments and exhibits, the testimony at hearing, and our review of the Stipulation, we find settlement of these issues is in the public interest and the Stipulation is just and reasonable in result.

ORDER

Based on the foregoing findings and conclusions,

1) We approve the Stipulation filed in this docket on May 16, 2018; and

2) We approve the tariff sheets submitted at hearing and filed May 24, 2018.

DATED at Salt Lake City, Utah, June 1, 2018.

/s/ Michael J. Hammer
Presiding Officer

Approved and confirmed June 1, 2018, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#302574

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 20 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 June 1, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

By E-Mail:

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By Hand-Delivery:

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____
Administrative Assistant

APPENDIX

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 Budget for Fiscal Year 2018"	Docket No. 17-057-26 **SETTLEMENT STIPULATION**

Pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, and pursuant to the Contract for Regulatory Services between the Public Service Commission of Utah ("Commission") and the Idaho Public Utilities Commission dated April 6, 2016, Questar Gas Company dba Dominion Energy Utah ("Dominion Energy" or "Company"); the Utah Division of Public Utilities (the "Division"); the Utah Office of Consumer Services (the "OCS"); and, the Utah Association of Energy Users ("UAE")(collectively the "Parties" or individually a "Party") submit this Settlement Stipulation. [The Parties are authorized to represent that the intervenors in this docket that have not entered into this Settlement Stipulation either do not oppose or take no position on this Settlement Stipulation.] This Settlement Stipulation shall be effective upon the entry of a final order of approval by the Commission.

PROCEDURAL HISTORY

1. On December 22, 2017, 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") was signed into law. The major component of this act was to reduce the corporate federal income tax from 35% to 21%, starting January 1, 2018.

2. 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 2, 2018, UAE filed a motion for deferred accounting treatment of all benefits associated with the TCJA.

3. 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 those benefits on its books in January 2018.

4. On February 21, 2018, the Commission granted UAE's Motion for deferred accounting and gave notice of a scheduling conference.

5. On March 7, 2018, the Commission issued a Scheduling Order requiring the Company to provide a Supplemental Filing by April 2, 2018.

6. On April 2, 2018, the Company filed a Submission of Supplemental Information and Motion to Modify and Replace Tariff Schedules ("Motion") to provide additional information and implement a surcredit to return the income tax expense reduction benefit from the TCJA to customers.

7. The Division, the OCS, and UAE each provided comments through the course of the proceeding.

8. In May of 2018, the Parties engaged in discussions for the settlement of the matters raised herein. The Parties have reached agreement as set forth below.

TERMS AND CONDITIONS

The Parties agree for purposes of settlement that the Motion should be granted and approved as modified and supplemented herein.

2. 1. Beginning effective June 1, 2018 and continuing up to the rate effective date of new rates approved by the Commission in the next general rate case[1], the Parties agree that the Company will implement a rate surcredit as shown in Attachment 1, to return to customers the revenues collected by the Company for corporate income taxes in excess of the 21% tax rate. The surcredit will be calculated based on reduced taxes and a $14.5 revenue requirement reduction as calculated in the 2014 rate case model, and will be allocated based upon each class's proportion of the total base distribution non-gas revenues as shown in column I of Attachment 2.Beginning effective August 1, 2018 and continuing through July 31, 2019, the Parties agree that Dominion Energy shall provide an additional tax-related surcredit, to be applied as twelve monthly credits to customer bills, to return to customers the excess income taxes collected by Dominion Energy from the effective date of the TCJA tax rates (January 1, 2018) up to implementation of the first surcredit identified above (May 31, 2018), plus carrying charges. This second surcredit shall return to customers the amounts collected by Dominion Energy in excess of the TCJA rate between January 1 and May 31, 2018 plus a carrying charge in the amount specified in section 8.07 of the Company's tariff. On or before July 1, 2018, the Company will file proposed tariff sheets, to be effective August 1, 2018, reflecting the applicable monthly surcredit amount by class. This second surcredit will be calculated using the same methodology outlined in Paragraph 1.

3. The surcredits identified above will be reflected on customer billing statements as a separate line item and will reflect the bill reduction applied each month related to the surcredits. In months when the Company applies both surcredits to the bills, these amounts will

[1] The Company is required to file a general rate case between July 1, 2019 and Dec 31, 2019

be reflected as a combined total. The line item will be identified as "Tax Reform Surcredit".

4. By the end of the first quarter of 2019, Dominion Energy will file a report with the Commission detailing its estimates of all impacts of the TCJA on excess deferred income taxes (EDIT) included in the rate-base calculation of the revenue requirement. All EDIT tax benefits related to the TCJA will be returned to customers in a matter determined by the Commission in Dominion Energy's next general rate case.

GENERAL

5. The Parties agree that settlement of those issues identified above is in the public interest and that the results are just and reasonable.

6. The Parties agree that no part of this Settlement Stipulation or the formulae or methods used in developing the same, or the relevant Commission orders approving the same shall in any manner be argued or considered as precedential in any future case. All negotiations related to this Settlement Stipulation are privileged and confidential, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Settlement Stipulation nor any Commission order adopting or approving it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Settlement Stipulation.

7. Nothing in this Settlement Stipulation or Commission approval of this Settlement Stipulation shall constitute an approval, pre-approval, or determination of prudence or cost-recovery as to any expenditures, the prudence or appropriateness of any particular capital

structure or cost of capital, or any other ratemaking issue other than as expressly provided in the Settlement Stipulation. Dominion Energy shall retain its burden to demonstrate the prudence of its expenditures and the justness and reasonableness of any rates it proposes in the future, and all Parties will retain all rights to challenge or propose adjustments to Dominion Energy's request for any change in its rates in any regulatory proceeding.

8. Dominion Energy, the Division, and the OCS each will make one or more witnesses available to explain and support this Settlement Stipulation to the Commission. Such witnesses will be available for examination. As applied to the Division, and the OCS, the explanation and support shall be consistent with their statutory authorities and responsibilities, and nothing in this Settlement Stipulation shall abrogate the authority and responsibilities of the Division under Utah Code Ann. § 54-4-4. So that the records in these dockets are complete, all Parties' filed testimony, exhibits, and the Motion shall be submitted as evidence.

9. The Parties agree that if any person challenges the approval of this Settlement Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Settlement Stipulation, each Party will use its best efforts to support the terms and conditions of the Settlement Stipulation. As applied to the Division and the OCS, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authorities and responsibilities. In the event any person seeks judicial review of the Commission's order approving this Settlement Stipulation, no Party shall take a position in that judicial review opposed to the Settlement Stipulation.

10. This Settlement Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Settlement Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved

without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Settlement Stipulation or impose any material change or condition on approval of this Settlement Stipulation, or if the Commission's approval of this Settlement Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Settlement Stipulation consistent with the order. No Party shall withdraw from the Settlement Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Settlement Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Settlement Stipulation, and no Party shall be bound or prejudiced by the terms and conditions of the Settlement Stipulation.

11. This Settlement Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission issue an order approving this Settlement Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: May 16, 2018.

Chris Parker
Director
Utah Division of Public Utilities

Michele Beck
Director
Utah Office of Consumer Services

Gary Dodge
Counsel
Utah Association of Energy Users

Kelly Mendenhall
Director, Regulatory and Pricing
Questar Gas Company dba Dominion Energy Utah

Tax Reform Surcredit Calculation
Recalculation of Base Rates Using Docket 13-057-19 Test Period

	A		B	C	D	E	F	G	H	I	J	K
					Original 13-057-19 Base DNG Rate Calculation			Tax Update 13-057-19 Base DNG Rates Calculation				
	Utah GS										**Revised**	**Revised**
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**	**Credit Amount**	**Rate Surcredit**
1	Winter	Block 1	First	45	55,142,829	2.34949	129,557,525	55,142,829	2.20293	121,475,972	(8,118,054)	(0.14722)
2		Block 2	Over	45	15,485,340	1.34949	20,897,311	15,485,340	1.20293	18,627,831	(2,279,731)	(0.14722)
3	Summer	Block 1	First	45	23,351,901	1.72670	40,321,727	23,351,901	1.61260	37,657,359	(2,525,102)	(0.10813)
4		Block 2	Over	45	4,515,425	0.72670	3,281,359	4,515,425	0.61260	2,766,166	(488,265)	(0.10813)
5	**Total Volumetric Charges**				98,495,495		194,057,922	98,495,495		180,527,328	**(13,411,151)**	
	Utah NGV											
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
6	All Usage		All Over	0	678,836	5.42207	3,680,696	678,836	5.14410	3,492,003	**(179,890)**	(0.26500)
	Utah FS											
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
7	Winter	Block 1	First	200	545,682	1.24572	679,767	545,682	1.20132	655,540	(25,360)	(0.04647)
8		Block 2	Next	1,800	1,221,092	0.86572	1,057,124	1,221,092	0.82132	1,002,911	(56,750)	(0.04647)
9		Block 3	All Over	2,000	675,610	0.46572	314,645	675,610	0.42132	284,650	(31,399)	(0.04647)
	Total Winter											
10	Summer	Block 1	First	200	713,654	0.81937	584,747	713,654	0.79241	565,505	(18,809)	(0.02636)
11		Block 2	Next	1,800	1,241,858	0.43937	545,635	1,241,858	0.41241	512,152	(32,731)	(0.02636)
12		Block 3	All Over	2,000	455,057	0.03937	17,916	455,057	0.01241	5,646	(11,994)	(0.02636)
13	**Total Volumetric Charges**				4,852,953		3,199,834	4,852,953		3,026,404	**(177,042)**	
	Utah IS				Updated Base DNG Rates							
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
14		Block 1	First	2,000	1,325,274	0.43528	576,865	1,325,274	0.41078	544,392	(39,916)	(0.03012)
15		Block 2	Next	18,000	1,288,947	0.06573	84,722	1,288,947	0.06203	79,950	(5,862)	(0.00455)
16		Block 3	All Over	20,000	11,626	0.03869	450	11,626	0.03651	425	(31)	(0.00268)
17	**Total Volumetric Charges**				2,625,847		662,037	2,625,847		624,767	**(45,809)**	
	Utah FT-1											
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
18		Block 1	First	10,000	560,000	0.23673	132,569	560,000	0.22787	127,607	(6,719)	(0.01200)
19		Block 2	Next	112,500	3,547,041	0.22185	786,911	3,547,041	0.21355	757,471	(39,881)	(0.01124)
20		Block 3	Next	477,500	2,489,615	0.15574	387,733	2,489,615	0.14991	373,220	(19,650)	(0.00789)
21		Block 4	All Over	600,000	0	0.03178	0	0	0.03059	0	0	0.00000
22	Annual Demand Charges per Dth of				33,246	12.90388	429,002	33,246	12.24784	407,192	(21,742)	(0.65397)
23	Contract Firm Transportation				6,629,902		1,736,215	6,629,902		1,665,490	**(87,991)**	
	Utah TS											
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
24		Block 1	First	200	775,196	0.73301	568,226	775,196	0.69575	539,341	(34,383)	(0.04435)
25		Block 2	Next	1,800	4,981,112	0.47917	2,386,799	4,981,112	0.45481	2,265,475	(144,425)	(0.02899)
26		Block 3	Next	98,000	25,032,728	0.19596	4,905,413	25,032,728	0.18600	4,656,079	(296,827)	(0.01186)
27		Block 4	All Over	100,000	5,394,773	0.07253	391,283	5,394,773	0.06884	371,367	(23,677)	(0.00439)
28	Annual Demand Charges per Dth of				75,836	25.80777	1,957,158	75,836	24.49568	1,857,654	(118,428)	(1.56163)
29	Contract Firm Transportation				36,259,645		10,208,879	36,259,645		9,689,916	**(617,740)**	
	Utah MT											
	Volumetric Rates			**Dth**	**Dth**	**Base Rate**	**Revenues**	**Dth**	**Base Rate**	**Revenues**		
30	All Usage		All Over	0	32,985	0.65141	21,487	32,985	0.65141	21,487	0	
31	**Total Volumetric Charges**				32,985		21,487	32,985		21,487	0	
32			**Total Volumetric**				**$213,567,070**			**$199,047,395**	**$199,047,447**	
			Fixed Charges (BSF, Admin, etc.)				**$87,244,241**			**$87,244,241**	**$87,244,241**	
			Total				**$300,811,311**			**$286,291,635**	**$286,291,688**	
								Change		**($14,519,676)**	**($14,519,623)**	

Cost of Service Allocation

	A	B	C	D	E	F	G	H	I	J	K
		13-057-19 Revenue Allocation						Tax Savings Allocation			
Line	Class	"Current" Base DNG Revenues (Pre-GRC)	Step 2 Increase 13-057-19	Step 2 Base DNG Revenue 13-057-19	MT Rev.	P&G Rev.	Base DNG Rev. Excl. MT, P&G, FT-1L	% of Total Current Base DNG Rev.	Allocation of Tax Savings	Tax Reform DNG Rev. Excl. MT, P&G, FT-1	Class % of Base DNG Rev.
1	GS	$270,948,319	$3,454,870	$274,403,189			$274,403,189	92.366%	($13,411,151)	$260,992,038	92.366%
2	FS	$3,578,143	$44,283	$3,622,426			$3,622,426	1.219%	($177,042)	$3,445,384	1.219%
3	IS	$820,693	$116,597	$937,290			$937,290	0.315%	($45,809)	$891,481	0.315%
4	TS	$10,790,569	$2,420,884	$13,211,453	$31,030	$540,956	$12,639,467	4.255%	($617,740)	$12,021,727	4.255%
5	FT-1	$1,470,474	$329,904	$1,800,378			$1,800,378	0.606%	($87,991)	$1,712,386	0.606%
6	FT-1L	$3,155,877	$0	$3,155,877			$0				
7	NGV	$3,632,517	$48,182	$3,680,699			$3,680,699	1.239%	($179,890)	$3,500,808	1.239%
8	Total	$294,396,592	$6,414,719	$300,811,311			$297,083,449	100.0%	($14,519,623)	$282,563,825	100.00%