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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director
Artie Powell, Energy Section Manager
Doug Wheelwright, Technical Consultant
Jeff Einfeldt, Utility Analyst

Date: July 17, 2018

Re: **Docket No. 17-057-26**

Dominion Energy Utah, Supplemental Information Tax Reform Surcredit.

RECOMMENDATION (Approve Revised Proposed Tariff Changes)

The Division of Public Utilities (“Division”) supports Dominion Energy Utah’s (“DEU”) plan to refund savings from operations to ratepayers through its revised proposed tariff changes created by the Tax Reform Act for the period January 1, 2018 through May 31, 2018. DEU’s proposed revised tariff changes and accompanying revised exhibits 1.7 through 1.10 are attached as exhibits to this Division memorandum.

BACKGROUND

Previously, DEU filed proposed tariff changes effective June 1, 2018 to begin refunding savings to ratepayers from distribution non-gas (“DNG”) related activity due to the Tax Reform Act of 2017 for periods beginning June 1, 2018 and future periods. These proposed tariff changes were approved as part of a stipulated settlement negotiated between DEU, DPU, OCS and UAE via a

Bench Ruling at a hearing conducted by the Utah Public Service Commission (“Commission”) on May 24, 2018 and memorialized by the Commission’s order dated June 1 2018.

DEU filed supplemental information in this Tax Reform Docket on July 2, 2018 in compliance with the settlement stipulation to begin refunding the tax saving to its ratepayers accrued from January 1, 2018 through May 31, 2018, including interest on the amounts at the approved rate used for other balancing accounts. The Commission issued an action request on July 2, 2018 directing the Division to review the application for compliance and make recommendations. For expediency, the Division does not recite the complete history of this Docket and the Tax Reform Act. For a more detailed history of DEU’s response to the Tax Reform Act, the Division refers interested parties to Division Comments filed in this Docket on 2/20/2018 and 4/24/2018. This memorandum is the Division’s response to the Commission’s most recent action request.

ISSUE

The Commission approved a settlement stipulation negotiated between DEU, DPU, OCS, and UAE on June 1, 2018 related to changes to the federal income tax code resulting in savings to ratepayers. Included as part of the stipulation, DEU was directed to issue an additional tax-related surcredit to ratepayers effective August 1, 2018 to begin return of the tax savings accrued from January 1, 2018 through May 31, 2018, along with interest on the accrued balance. This supplemental filing by DEU is in response to that requirement.

ANALYSIS

DEU began calculating and accruing the tax savings related to DNG rates due ratepayers effective January 1, 2018 and continued the accrual through May 31, 2018. DEU filed current proposed tariff changes, along with supporting exhibits, to begin refunding this accrual along with accompanying interest to ratepayers effective August 1, 2018. DEU estimates the duration of this refund will extend for the next twelve months through July 2019.

The Division reviewed the proposed tariff changes and exhibits, and met with DEU personnel to discuss the method of calculation and the source of the underlying financial information. During these discussions, DEU identified two additional changes to the proposed tariff and exhibits. The

first change was to reflect the reduction in the interest rate applied from 4.19% to 4.09%¹. The second change was to remove gas volumes related to two specific customers that were erroneously included in the refund calculation. The cumulative effect of these two changes reduces the total refund by \$68,074, from \$9,554,800 to \$9,486,726. The percentage change to a typical general service customer results in an annual reduction of 1.01% rather than a reduction of 1.02% (a difference of 4 cents annually). The proposed revised tariff and revised exhibits incorporating these changes are included as exhibits to the Division's memorandum. The Division has reviewed the corrections and the calculations supporting the proposed tariff changes and agree the revisions are proper.

CONCLUSION

The Division finds DEU's supplemental filing dated July 2, 2018 complies with the settlement stipulation, the calculation to refund the tax savings accrued from January 1, 2018 through May 31, 2018 is consistent with the tax savings being refunded beginning June 1, 2018 pursuant to the aforementioned stipulation, and the interest rate applied is proper. The Division recommends the Commission approve the attached revised tariff changes.

cc: Michele Beck, Office of Consumer Services
Kelly Mendenhall, Dominion Energy Utah
Gary A. Dodge, UAE

¹ Docket 18-057-T03, interest rate change approved by the Commission effective 4/1/2018.