
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”	<u>DOCKET NO. 17-057-26</u> <u>ORDER APPROVING TARIFF REVISIONS</u>
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ISSUED: July 30, 2018

SYNOPSIS

The Utah Public Service Commission (“PSC”) approves a tax surcredit related to the reduction in the federal income tax rate. Approval of the tax surcredit results in a decrease of approximately \$6.48, or 1.01 percent, for a typical residential customer using 80 decatherms of natural gas per year.

BACKGROUND

On June 1, 2018, the PSC issued an Order Memorializing Bench Ruling Approving Settlement Stipulation (“Order”) in this docket resulting in a surcredit relating to a reduction of the federal income tax rate from 35 percent to 21 percent. In Paragraph 2 of the Settlement Stipulation’s Terms and Conditions, parties agreed that, effective August 1, 2018 through July 31, 2019, Dominion Energy Utah (“DEU”) shall provide to customers twelve monthly tax-related utility billing surcredits to return excess income taxes DEU collected between January 1, 2018 and May 31, 2018, plus any carrying charges (“Tax Reform Surcredit 2”). The parties also agreed that DEU will file tariff sheets reflecting the Tax Reform Surcredit 2 amount by class, to be effective August 1, 2018.

On July 2, 2018, DEU moved the PSC for approval to modify and replace certain Utah Natural Gas Tariff No. 500 (“Tariff”) sheets to reflect in rates the Tax Reform Surcredit 2 amount of approximately \$9.6 million, effective August 1, 2018 (“Tariff Filing”). The Tariff

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Filing includes the calculation of the Tax Reform Surcredit 2 amount for the GS, FS, IS, NGV, and FT-1 customer classes. DEU's Tariff Filing also includes other supporting exhibits and modifications to the following sections of the Tariff: Section 2.02, Pages 2-2 to 2-3; Section 2.03, Pages 2-4 to 2-5; Section 2.04, Page 2-6; Section 4.02, Pages 4-3 to 4-4; Section 5.05, Pages 5-8 to 5-9; and Section 5.07, Pages 5-12 to 5-13. If approved, DEU's proposed Tariff modifications will result in an annual decrease of \$6.48, or approximately 1.01%, for a typical residential customer using 80 decatherms of natural gas per year.

In response to the PSC's July 3, 2018 Notice of Filing and Comment Period, comments were submitted by the Division of Public Utilities ("DPU") on July 17, 2018, and by the Office of Consumer Services ("OCS") on July 18, 2018. DEU filed reply comments on July 25, 2018. No other comments were filed.

DISCUSSION

The DPU reviewed DEU's proposed Tariff changes and supporting exhibits, and met with DEU personnel to discuss and review DEU's calculation method in determining the proposed Tax Reform Surcredit 2 amount. During the DPU's review process, DEU identified and corrected two items in its Tariff Filing,¹ the effects of which reduce the total proposed Tax Reform Surcredit 2 amount by \$68,074, from \$9,554,800 to \$9,486,726, or less than one percent. The DPU reviewed DEU's corrections and the calculations supporting the revised Tariff changes

¹ The first correction was to reflect the reduction in the interest rate applied from 4.19% to 4.09%, effective April 1, 2018. See *Dominion Energy Utah's Application for Proposed Tariff Change* (March 15, 2018 Order, Docket No. 18-057-T03); See also DEU Tariff Section 8.07. The second correction was to remove gas volumes related to two specific customers that were erroneously included in the refund calculation. See DPU Comments filed July 17, 2018 at 2-3.

and agrees they are proper. The DPU's filing includes revised proposed Tariff sheets ("Revised Tariff Sheets") reflecting the change² and revised supporting exhibits,³ enumerated as follows:

- DEU Revised Exhibit 1.7 shows the Tax Reform Surcredit 2 entries and corrected interest for the January-May monthly accruals;
- DEU Revised Exhibit 1.8 and DEU Revised Exhibit 1.9 show how the proposed Tax Reform Surcredit 2 is allocated to and calculated for the applicable DEU customer rate schedules;
- DEU Revised Exhibit 1.10 shows the monthly change to a typical GS customer's bill, representing an annual decrease of \$6.48 or 1.01%, if the Tariff Filing is approved.

The DPU concludes the revised Tariff modifications comply with the Settlement Stipulation and that the interest rate is proper. Thus the DPU recommends the PSC approve the revised Tariff changes.

The OCS also identified DEU's inconsistent application of the interest rate used to calculate the Tax Reform Surcredit 2. In its July 25, 2018 reply comments, DEU states the revised exhibits presented with the DPU's comments filed on July 17, 2018 reflect the correct interest rates (*i.e.*, 4.19 percent for January, February, and March 2018; and 4.09 percent for April and May 2018).

In addition, the OCS recommends that the PSC require DEU to implement a true-up of the Tax Reform Surcredit 2 following the issuance of the last monthly surcredit in July 2019, or at some other appropriate time. According to the OCS, the forecasted volume sales used to calculate the Tax Reform Surcredit 2 by customer class is based on DEU's Integrated Resource

² See DPU Exhibits B and C, filed July 17, 2018.

³ See DPU Exhibit A, filed July 17, 2018.

Plan (“IRP”) models and forecasts and, as such, the reasonableness of the Tax Reform Surcredit 2 rates depends on the accuracy or reasonableness of the IRP modeling assumptions and projections. The OCS proposes DEU present its plan for reconciling estimates-to-actuals in reply comments or a subsequent filing.

In its July 25, 2018 reply comments, DEU agrees there should be a true-up of the Tax Reform Surcredit 2 amounts after July 2019. DEU proposes addressing the ending Tax Reform Surcredit 2 balance amount by clearing out the remaining over- or under-recovery in the Tax Reform Surcredit 2 account to \$0 through corresponding entries made to the integrity management expense rider. DEU adds that the balance in the integrity management account is allocated to all classes and will be updated in the forthcoming 2019 general rate case. DEU affirms the corrected exhibits and proposed Tariff changes filed with the DPU’s July 17, 2018 comments are just and reasonable, and in the public interest.

FINDINGS AND CONCLUSIONS

No other party filed comments or otherwise opposed DEU’s revised proposed Tariff modifications and replacements. Based on our review of DEU’s revised proposed Tariff sheets and supporting revised exhibits, and on comments and recommendations submitted by all parties, we conclude the Revised Tariff Changes and supporting exhibits comply with the Settlement Stipulation. Accordingly, we find DEU’s revised proposed Tax Reform Surcredit 2 is in the public interest, and associated rates, as revised, just and reasonable.

The OCS’s proposal for a Tax Reform Surcredit 2 true-up, which DEU supports, and DEU’s proposal to transfer the Tax Reform Surcredit 2 ending account balance to the integrity

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management expense rider presented in its reply comments will be addressed separately from this order; concurrently with this order we shall issue a notice of comments and replies on these proposals.

ORDER

1. We approve DEU's Tariff Filing as revised in the DPU's comments filed on July 17, 2018.
2. We approve the Revised Tariff Sheets filed by the DPU on July 17, 2018, effective August 1, 2018.

DATED at Salt Lake City, Utah, July 30, 2018.

/s/ Michael J. Hammer
Presiding Officer

Approved and confirmed July 30, 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#303678

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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 July 30, 2018, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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