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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission of Utah

From: Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: November 16, 2018

Subject: Application of Dominion Energy 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" (Tax Reform Act). Docket No. 17-057-26

Background

On June 1, 2018 the Public Service Commission (Commission) issued an order memorializing its bench ruling issued at hearing on May 24, 2018, approving a settlement stipulation (Stipulation) related to changes in the federal income tax rate from 35 percent to 21 percent. The Stipulation was entered into by Dominion Energy Utah (Dominion or Company), the Division of Public Utilities (Division), the Office of Consumer Services (Office) and the Utah Association of Energy Users (UAE). The Stipulation resulted in a $14.5 million annual revenue requirement decrease, effective June 1, 2018 to be returned to customers in the form of a surcredit. The Stipulation also required that, on or before July 1, 2018, the Company would file proposed tariff sheets, to be effective August 1, 2018 providing a second tax related surcredit to customers.

On July 2, 2018, the Company filed Submission of Supplemental Information and Motion to Modify and Replace Tariff Schedules (Motion). At page 2 of the filing the Company states it "seeks to return the excess income taxes that have been deferred from January 1 through May 31, 2018 as referred to in the Commission's Order. The Company identifies this additional surcredit as Tax Reform Surcredit 2".

On July 3, 2018, the Commission issue a Notice of Filing and Comment Period allowing interested parties to submit comments on Dominion's July 2, 2018 Motion on or before July 18, 2018 and reply comments on or before July 25, 2018.

In comments filed on July 18, 2018, the Office recommended "that the Commission require the Company to provide a true up of the Tax Reform Surcredit 2 following the July 2019 monthly surcredit payment or at an appropriate time." [Office comments, page 3]

In reply comments filed on July 25, 2018, the Company agreed that there should be a true up of the Tax Reform Surcredit 2 amounts after July 2019. "The Company proposes that the balance should be dealt with by clearing out the remaining over or under recovery in this account to $0 by making corresponding entries in the integrity management expense rider. The balance in this account is allocated to all classes and will be updated in the 2019 general rate case." [Dominion's reply comments, page 3]

On July 30, 2018, the Commission issued its Order Approving Tariff Revisions approving a tax surcredit related to the reduction in the federal income tax rate. The Commission stated that the Office's proposal for a Tax Reform Surcredit 2 true-up, which was supported by Dominion would be addressed separately.

Also on July 30, 2018, the Commission issued a Notice of Filing and Comment Period allowing interested parties to provide comments and reply comments on Dominion's July 25, 2018 reply comments on or before November 16, 2018 and December 17, 2018, respectively.

Office Recommendation

The Office supports Dominion's proposal to true up the Tax Reform Surcredit 2 amounts after July 2019 by clearing out the over- or under-recovery in that account to $0 by making corresponding entries in the integrity management expense rider.

The Office recommends that at the time the Tax Reform Surcredit 2 account is "cleared out" and the corresponding entry made to the integrity management expense rider the Company should provide notification to the Commission that the adjustment has been made and specify the amount of over- or under-recovery.

CC: Kelly Mendenhall, Dominion Energy Utah
Chris Parker, Division of Public Utilities
Gary Dodge, UAE