

- 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”	<p style="text-align: center;"><u>DOCKET NO. 17-057-26</u></p> <p style="text-align: center;"><u>ORDER APPROVING</u> <u>APRIL 23, 2019</u> <u>SETTLEMENT STIPULATION</u></p>
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ISSUED: May 9, 2019

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 \$4.96 million annual revenue requirement decrease, effective June 1, 2019. The Stipulation also identifies two additional remaining amortization issues related to the federal income tax reduction and reserves their determination for Dominion Energy Utah’s (“DEU”) next general rate case.

The \$4.96 million revenue requirement decrease results in an annual bill decrease of approximately \$3.49, or 0.55 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, reducing 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 DEU to investigate and file comments on the impacts of the TCJA on DEU’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, which the PSC granted on February 21, 2018.

On May 16, 2018, DEU, the Division of Public Utilities (“DPU”), the Office of Consumer Services (“OCS”), and UAE (“Parties”) filed a settlement stipulation in agreement on various terms regarding the treatment of all impacts to DEU customers resulting from the TCJA taking effect. As a part of that settlement stipulation, DEU agreed it would 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 DEU’s excess deferred federal income taxes (“EDIT”), and that all EDIT tax benefits related to the TCJA would be returned to customers in a matter determined by the PSC in DEU’s next general rate case.¹ The PSC approved the stipulation at hearing on May 24, 2018 and in its June 1, 2018 Order Memorializing Bench Ruling Approving Settlement Stipulation.

On March 27, 2019, pursuant to the May 2018 settlement stipulation, DEU submitted its report on the impact of the TCJA on EDIT, and a motion to modify and replace tariff schedules (“Motion”). In this Motion, DEU estimated approximately \$5.1 million related to the 2018 portion of plant-related EDIT should be returned to Utah customers, resulting in an adjusted net amount of \$4.7 million to be amortized over a one-year period, through a third utility bill surcredit to take effect June 1, 2019. Further, DEU recommended that the remaining plant-related EDIT amortizations be included in the 2019 general rate case calculations, and that non-plant related EDIT amount of \$14.6 million be returned to customers over a 30-year period, beginning on the rate effective date of DEU’s forthcoming 2019 general rate case.

¹ See Settlement Stipulation, filed May 16, 2018, available under Docket No. 17-057-26 at psc.utah.gov.

On April 23, 2019, Parties submitted a settlement stipulation² regarding the EDIT under consideration (“Stipulation”) to take effect upon the entry of a final PSC order approving the Stipulation. Filed with the Stipulation were revised DEU Attachments containing EDIT settlement details, impact models, and revised Tariff Pages 2-2 through 2-6, 4-3, 4-4, 5-6, 5-7, 5-10, and 5-11 with an effective date of June 1, 2019.³ Among other things, the Stipulation results in a \$4.96 million annual revenue requirement decrease, taking effect June 1, 2019, and defers consideration of other EDIT-related amortization issues until DEU’s next general rate case.

On May 7, 2019, the PSC held a hearing to consider the Stipulation. Appearances were made by DEU, the DPU, and the OCS, along with their respective counsel.

DEU provided a summary of the Stipulation at hearing, and testified the Stipulation is just and reasonable in result, and in the public interest.

At hearing, the DPU testified it is satisfied the Stipulation allows DEU to comply with Internal Revenue Service normalization rules for EDIT related to protected property, and will allow DEU to amortize the unprotected portion of EDIT in a just and reasonable manner, resulting in the associated value being returned to customers.⁴ The DPU further stated the Stipulation is just and reasonable in result, and in the public interest.

The OCS testified the prompt return of the 2018 EDIT amortization amount to DEU customers is in the public interest, and that a general rate case is an appropriate proceeding

² See Excess Deferred Income Tax Settlement Stipulation, filed April 23, 2019, available under Docket No. 17-057-26 at psc.utah.gov.

³ See DEU Attachments 1, 2A, 2B, and 3, filed April 23, 2019, available under Docket No. 17-057-26 at psc.utah.gov.

⁴ May 7, 2019 Hearing Audio Transcript at 6:49-7:25, available under Docket No. 17-057-26 at psc.utah.gov.

wherein optimal treatment of all outstanding EDIT funds can be fully evaluated by all interested parties. Because these conditions are important to the public interest, the OCS testified the Stipulation is just and reasonable in result, and in the public interest.⁵ Accordingly, the OCS supports PSC approval of the Stipulation.

At hearing, there was no opposition to the Stipulation.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Settlements of matters before the PSC are encouraged at any stage of a proceeding.⁶ 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.⁷

The evidence in this docket is uncontested. Consistent with testimony at hearing, the Parties agree at page 4 of the Stipulation that settlement of issues identified in the Stipulation “is in the public interest and that the results are just and reasonable.”⁸

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

⁵ See *id.* at 10:00-11:30.

⁶ See Utah Code Ann. § 54-7-1(3)(a).

⁷ See Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

⁸ *Supra* n.2 at 4.

ORDER

We approve:

- 1) the Stipulation filed in this docket on April 23, 2019; and
- 2) the revised Tariff Pages 2-2 through 2-6, 4-3, 4-4, 5-6, 5-7, 5-10, and 5-11 as filed with the Stipulation in this docket on April 23, 2019.

DATED at Salt Lake City, Utah, May 9, 2019.

/s/ Michael J. Hammer
Presiding Officer

Approved and confirmed May 9, 2019, 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#308177

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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 May 9, 2019, a true and correct copy of the foregoing was served upon the following as indicated below:

By E-Mail:

Jenniffer Nelson Clark (jenniffer.clark@dominionenergy.com)
Kelly Mendenhall (kelly.mendenhall@dominionenergy.com)
Arminda I. Spencer (arminda.spencer@dominionenergy.com)
Dominion Energy Utah

Gary A. Dodge (gdodge@hjdllaw.com)
Phillip R. Russell (prussell@hjdllaw.com)
Hatch, James & Dodge

Kevin Higgins (khiggins@energystrat.com)
Neal Townsend (ntownsend@energystrat.com)
Energy Strategies

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Steven Snarr (stevensnarr@agutah.gov)
Assistant Utah Attorneys General

dpudatarequest@utah.gov
Division of Public Utilities

By Hand-Delivery:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, UT 84111

Administrative Assistant