

In the Matter Of:

In Re: Tax Reform Impacts

HEARING, DOCKET NO. 17-057-26

May 07, 2019

Job Number: 540440

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue)
Requirement Impacts of the)
New Federal Legislation) Docket No. 17-057-26
Titled: "An act to provide)
reconciliation pursuant) Hearing
to titles II and V of the)
concurrent resolution of)
budget for fiscal year)
2018.")

Date: May 7, 2019

Time: 10:00 a.m.

Location: Heber M. Wells Building
160 East 300 South, Room 403
Salt Lake City, Utah

Hearing Officer: Michael J. Hammer
Job No. 540440

Reporter: Melinda J. Andersen
Certified Shorthand Reporter and Notary Public

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For Dominion Energy: Arminda I. Spencer
333 South State Street
Salt Lake City, UT 84145
(801)324-5024
arminda.spencer@
dominionenergy.com

For the Division: Justin Jetter
160 East 300 South
Fifth Floor
Salt Lake City, UT 84114
(801)366-0353
jjetter@agutah.gov

For the Officer: Robert Moore
160 East 300 South
Fifth Floor
Salt Lake City, UT 84114
(801)366-0353
rmoore@agutah.gov

-o0o-

I N D E X

Witness	Page
KELLY MENDENHALL	4
JEFFERY EINFELD Direct Examination by Mr. Jetter	7
CHERYL MURRAY Direct Examination by Mr. Moore	10

1 P R O C E E D I N G S

2 HEARING OFFICER: Let's go on the record
3 please. Good morning. This is the time and place and
4 notice for a hearing in the application of Dominion Energy
5 Utah to provide impacts of the new federal tax legislation
6 titled: An act to provide for reconciliation pursuant to
7 titles 2 and 5 of the budget for fiscal year 2018. This is
8 Commission Docket 17-057-26.

9 My name is Mike Hammer. I'm the Commission's
10 designated presiding officer for the hearing.

11 Let's go ahead and take appearances please.

12 MS. SPENCER: Arminda Spencer, attorney for
13 Dominion Energy Utah.

14 MR. MENDENHALL: Kelly Mendenhall, director of
15 regulatory and pricing for Dominion Energy Utah.

16 MR. JETTER: I'm Justin Jetter with the Utah
17 Attorney General's office. I'm here today representing the
18 Utah Division of Public Utilities. With me at counsel
19 table is Division's witness Jeff Einfeld.

20 MR. MOORE: Robert Moore, Attorney General's
21 office representing the Office of Consumer Service. With
22 me is Cheryl Murray with the Office.

23 HEARING OFFICER: Thank you. Is there anything
24 we need to address before we begin? All right.
25 Ms. Spencer.

1 MS. SPENCER: Thank you. Today in accordance
2 with Section 16 of the file settlement stipulation we have
3 provided -- DEU has provided Kelly Mendenhall as a witness
4 to discuss the settlement terms and conditions. Kelly
5 Mendenhall is the director of regulatory and pricing.

6 HEARING OFFICER: Mr. Mendenhall, do you swear
7 to tell the truth?

8 THE WITNESS: Yes.

9 HEARING OFFICER: Thank you.

10 THE WITNESS: I just want to give a little bit
11 of procedural background. On December 22, 2017 the tax
12 cuts and job act was signed into law, and as a result of
13 that law the Commission asked Dominion Energy in 2018 to
14 report the impacts that this tax law would have on
15 customers.

16 On May 16, 2018, the Division, the Office of
17 Consumer Service, and UAE filed a settlement stipulation in
18 that proceeding. And as part of that stipulation the
19 Company agreed they would report the impact of excess
20 deferred income taxes on customers by the first quarter of
21 2019.

22 So on March 27, 2019 Dominion Energy completed
23 its calculation and provided that information. There are
24 two buckets related to this tax deferred income taxes. You
25 have plant related excess deferred income taxes, which

1 amounted to about \$230 million in Utah. And that is
2 amortized using the average rate assumption method, which
3 is what the IRS requires for it to be compliant. And so
4 the Company began amortizing that January 1, 2018.

5 The second bucket of excess deferred income
6 taxes is other nonplant related. There is no defined
7 amortization period for that bucket of costs. That amounts
8 to about \$14.5 million. The Company has not begun
9 amortizing that yet, and I will speak a little bit to the
10 treatment of that going forward.

11 But if I can have you turn to page 3 of the
12 settlement stipulation I'll just highlight a few of the
13 terms of the settlement stipulation. If you go to
14 paragraph 12. It says, the parties agree beginning June 1,
15 2019, the impacts related to this 2018 EDIT amortization
16 will be amortized over a one year period as Tax Reform
17 Surcredit 3. And that amount that will be amortized is
18 about \$4.9 million. That is shown on -- if you turn to
19 settlement attachment 1, page 2, line 3, column D, and that
20 amount \$4,958,251. That's the amount that will be
21 amortized over the one year period. So that will take care
22 of the amortization for 2018.

23 And then as far as the amortization going
24 forward, if you go to number 14, provision 14, page 4 of
25 the settlement stipulation. It says, the parties also agree

1 that the amortization for the unprotected portion of the
2 plant-related EDIT remaining after the 2018 EDIT
3 amortization will be addressed in the next general rate
4 case.

5 So basically the parties have agreed that going
6 forward we'll determine how the rest of the excess deferred
7 income tax gets treated. And then in provision 13, that
8 other bucket, the \$4.5 million bucket I was talking about,
9 the parties agree that the amortization period for that
10 amount of money will be determined in the general rate case
11 as well.

12 So the Company believes that the stipulation is
13 just and reasonable and result and we ask, along with the
14 other parties, the Commission to issue an order approving
15 the settlement stipulation, adopting its terms and
16 conditions. That concludes my summary.

17 HEARING OFFICER: Mr. Jetter, any questions?

18 MR. JETTER: No questions. Thank you.

19 HEARING OFFICER: Mr. Moore?

20 MR. MOORE: No questions. Thank you.

21 HEARING OFFICER: Ms. Spencer, do you have any
22 other witnesses?

23 MS. SPENCER: No, we don't.

24 HEARING OFFICER: Mr. Jetter.

25 MR. JETTER: Thank you. The Division would

1 like to call and have sworn in Jeff Einfeld.

2 HEARING OFFICER: Mr. Einfeld, do you swear to
3 tell the truth?

4 THE WITNESS: Yes.

5 DIRECT EXAMINATION

6 BY MR. JETTER:

7 Q. Mr. Einfeld, would you please state your name
8 and occupation for the record?

9 A. My name is Jeffery S. Einfeld. I'm a utility
10 analyst for the Division of Public Utilities. My office is
11 it located here at 160 East 300 South, Fourth Floor.

12 Q. Thank you. Have you had the opportunity to
13 review the filings made in this docket up until this point
14 as well as the settlement stipulation filed by the parties?

15 A. Yes, I have.

16 Q. Initially, do you believe that approval of the
17 settlement stipulation that is before the Commission at the
18 hearing today would be just and reasonable and in the
19 public interest?

20 A. Yes, I do.

21 Q. Do you have a brief summary of the Division's
22 position on this?

23 A. Yes, if I may.

24 Q. Please, go ahead.

25 A. On March 27, 2019, Dominion filed its report

1 with the Commission detailing its estimates and impacts of
2 the most recent federal tax law change on excess deferred
3 income taxes in relation to its rate base calculation and
4 revenue requirement.

5 The Division has had an opportunity to review
6 this report and the associated exhibits. The Division also
7 participated in discussions and negotiations with Dominion
8 Energy and the other interested parties in this docket
9 leading to the settlement stipulation before the Commission
10 today.

11 The Division is satisfied the stipulation
12 allows DEU to comply with IRS normalization rules for EDIT
13 related to protected property and will allow DEU to
14 amortize the unprotected portion of EDIT in a just and
15 reasonable manner resulting in the associated value being
16 returned to rate payers.

17 The Division believes the subject excess
18 deferred income tax settlement stipulation before the
19 Commission today is just and reasonable and result and in
20 the public interest. This concludes my comments.

21 **Q. Thank you.**

22 MR. JETTER: I have no further questions for
23 Mr. Einfeld. He's available for cross examination and
24 questions from the Commission.

25 HEARING OFFICER: Ms. Spencer?

1 MS. SPENCER: No questions. Thank you.

2 HEARING OFFICER: Mr. Moore?

3 MR. MOORE: No questions. Thank you.

4 HEARING OFFICER: Mr. Einfeld, I just have one.
5 The DEU settlement attachment 1 on page 5, the DEU has
6 estimated the percentage change the stipulation will have
7 on its typical GS customers. It appeared to me as though
8 that percentage change was based on rates that were
9 effective December 2018, not the rates that are effective
10 today; is that right?

11 THE WITNESS: I don't have the exhibit in front
12 of me.

13 HEARING OFFICER: Do you need to take a minute?

14 THE WITNESS: Okay. Could you please --

15 HEARING OFFICER: Rephrase my question?

16 THE WITNESS: Or just restate it.

17 HEARING OFFICER: Sure. On page 5 of
18 attachment 1, the DEU provided an estimate of the
19 percentage change the typical GS customer will see as a
20 result of the stipulation in their annual bill. The dollar
21 amount is the same no matter what the rates are, but the
22 percentage change is different depending on what the rates
23 are now, what they were changed to in April versus what
24 they were in December. It appeared to us as though the
25 rate change was based on the rates that were effective in

1 December, not the rates that are effective now. Is that
2 right?

3 THE WITNESS: I would have to refer to Dominion
4 Energy on answering that question.

5 HEARING OFFICER: I'm not sure it's terribly
6 material because the dollars are the same. It's just a
7 percentage impact on customer. We'll move on.

8 THE WITNESS: Okay.

9 HEARING OFFICER: Mr. Moore?

10 MR. MOORE: The Office calls Cheryl Murray and
11 ask that she be sworn.

12 HEARING OFFICER: Ms. Murray, do you swear to
13 tell the truth.

14 THE WITNESS: Yes.

15 DIRECT EXAMINATION

16 BY MR. MOORE:

17 Q. Could you please state your name and your
18 employer?

19 A. My name is Cheryl Murray. I'm a utility
20 analyst with the Office of Consumer Services.

21 Q. Have you read the filings in this case and the
22 settlement stipulation that is the subject of this hearing?

23 A. Yes.

24 Q. Did you participate in the settlement
25 discussions that have led to the stipulation that is before

1 the Commission today?

2 A. Yes, I participated on behalf of the Office.

3 Q. Are you prepared to testify in support of the
4 stipulation?

5 A. Yes.

6 Q. Please proceed.

7 A. The Office participated in discussions and
8 negotiations with the other parties that led to the
9 stipulation.

10 There are specific conditions on the
11 stipulation that the Office believes are important to the
12 public interest.

13 Customers receive the benefit on the 2018
14 amortization of plant-related excess deferred income taxes,
15 or EDIT, promptly through a surcredit on their bills.

16 Also, the appropriate treatment of the
17 nonplant-related EDIT and the remaining nonprotected
18 plant-related EDIT will be addressed in the next rate case
19 where the Office and other parties will be able to fully
20 evaluate all aspects of DEU's revenue requirements.

21 By moving this determination to the rate case,
22 parties will be able to evaluate various options for the
23 best use of the funds, such as the appropriate time frame
24 over which to return the EDIT to customers as quickly as
25 possible without negatively impacting DEU's financial

1 position or credit rating, or perhaps offsetting a
2 regulatory asset owed from customers.

3 Thus, the Office believes that the stipulation
4 is just and reasonable and result and is in the public
5 interest. And we recommend that the Commission approve it.

6 **Q. Does this conclude your testimony?**

7 A. Yes.

8 MR. MOORE: Ms. Murray is available for cross
9 and questions from the presiding officer.

10 HEARING OFFICER: Thank you. Ms. Spencer?

11 MS. SPENCER: No questions. Thank you.

12 HEARING OFFICER: Mr. Jetter?

13 MR. JETTER: I have no questions. Thank you.

14 HEARING OFFICER: All right. Is there anything
15 else before we adjourn? All right. Have a good day
16 everybody.

17 (The hearing concluded at 10:15 a.m.)

18

19

20

21

22

23

24

25

C E R T I F I C A T E

STATE OF UTAH)

:

COUNTY OF SALT LAKE)

I, Melinda J. Andersen, Certified Shorthand Reporter and Notary Public in and for the County of Salt Lake and State of Utah, do hereby certify:

That the foregoing proceedings were taken before me at the time and place herein set forth, and were taken down by me in shorthand and thereafter transcribed into typewritten under my direction and supervision:

That the foregoing 12 pages contain a true and correct transcription of my shorthand notes so taken.

WITNESS MY HAND and official seal at Salt Lake City, Utah this 20th day of May, 2019.



My Commission Expires:
February 10, 2022

Melinda J. Andersen, C.S.R.

\$	2	7	adopting 6:15	amount 5:17, 20 6:10 9:21
\$14.5 5:8	2 3:7 5:19	7 2:17	after 6:2	amounted 5:1
\$230 5:1	2017 4:11	8	agree 5:14,25 6:9	amounts 5:7
\$4,958,251 5:20	2018 3:7 4:13, 16 5:4,15,22 6:2 9:9 11:13	801 324-5024 2:3	agreed 4:19 6:5	analyst 7:10 10:20
\$4.5 6:8	2019 4:21,22 5:15 7:25	801 366-0353 2:7,11	ahead 3:11 7:24	annual 9:20
\$4.9 5:18	22 4:11	84114 2:7,10	all 3:24 11:20 12:14,15	answering 10:4
1	27 4:22 7:25	84145 2:3	allow 8:13	anything 3:23 12:14
1 5:4,14,19 9:5,18	3	A	allows 8:12	appearances 3:11
10 2:18	3 5:11,17,19	a.m. 12:17	along 6:13	appeared 9:7, 24
10:15 12:17	300 2:6,9 7:11	able 11:19,22	also 5:25 8:6 11:16	application 3:4
12 5:14	4	accordance 4:1	amortization 5:7,15,22,23 6:1,3,9 11:14	appropriate 11:16,23
13 6:7	4 2:15 5:24	act 3:6 4:12	amortize 8:14	approval 7:16
14 5:24	5	address 3:24	amortized 5:2,16,17,21	approve 12:5
16 4:2,16	5 3:7 9:5,17	addressed 6:3 11:18	amortizing 5:4,9	approving 6:14
160 2:6 7:11		adjourn 12:15		
17-057-26 3:8				

April 9:23	base 8:3	bit 4:10 5:9	City 2:3,7,10	4:4 6:16 11:10
Arminda 2:2 3:12	based 9:8,25	brief 7:21	column 5:19	Consumer 3:21 4:17 10:20
arminda. spencer@ 2:4	basically 6:5	bucket 5:5,7 6:8	comments 8:20	costs 5:7
aspects 11:20	before 3:24 7:17 8:9,18 10:25 12:15	buckets 4:24	Commission 3:8 4:13 6:14 7:17 8:1,9,19, 24 11:1 12:5	counsel 3:18
asset 12:2	began 5:4	budget 3:7	<hr/> C <hr/>	credit 12:1
associated 8:6,15	begin 3:24	calculation 4:23 8:3	Commission' s 3:9	cross 8:23 12:8
assumption 5:2	beginning 5:14	call 7:1	Company 4:19 5:4,8 6:12	customer 9:19 10:7
attachment 5:19 9:5,18	begun 5:8	calls 10:10	completed 4:22	customers 4:15,20 9:7 11:13,24 12:2
attorney 3:12, 17,20	behalf 11:2	care 5:21	compliant 5:3	cuts 4:12
available 8:23 12:8	being 8:15	case 6:4,10 10:21 11:18, 21	comply 8:12	<hr/> D <hr/>
average 5:2	believe 7:16	change 8:2 9:6,8,19,22, 25	conclude 12:6	day 12:15
<hr/> B <hr/>	believes 6:12 8:17 11:11 12:3	changed 9:23	concluded 12:17	December 4:11 9:9,24 10:1
background 4:11	benefit 11:13	Cheryl 2:18 3:22 10:10,19	concludes 6:16 8:20	deferred 4:20,24,25 5:5 6:6 8:2,18
	best 11:23		conditions	
	bill 9:20			
	bills 11:15			

11:14	discussions 8:7 10:25 11:7	effective 9:9, 25 10:1	exhibits 8:6	frame 11:23
defined 5:6			<hr/> F <hr/>	front 9:11
depending 9:22	Division 2:5 3:18 4:16 6:25 7:10 8:5, 6,11,17	Einfeld 2:16 3:19 7:1,2,7,9 8:23 9:4	far 5:23	fully 11:19
designated 3:10	Division's 3:19 7:21	employer 10:18	federal 3:5 8:2	funds 11:23
detailing 8:1		Energy 2:2 3:4,13,15 4:13,22 8:8 10:4	few 5:12	<hr/> G <hr/>
determination 11:21	docket 3:8 7:13 8:8		Fifth 2:6,10	general 6:3, 10
determine 6:6	dollar 9:20	estimate 9:18	file 4:2	General's 3:17,20
determined 6:10	dollars 10:6	estimated 9:6	filed 4:17 7:14,25	give 4:10
DEU 4:3 8:12, 13 9:5,18	Dominion 2:2 3:4,13,15 4:13,22 7:25 8:7 10:3	estimates 8:1	filings 7:13 10:21	good 3:3 12:15
DEU's 11:20, 25	dominionenergy.com 2:4	evaluate 11:20,22	financial 11:25	GS 9:7,19
different 9:22	<hr/> E <hr/>	everybody 12:16	first 4:20	<hr/> H <hr/>
Direct 2:17,18 7:5 10:15	East 2:6,9 7:11	examination 2:17,18 7:5 8:23 10:15	fiscal 3:7	Hammer 3:9
director 3:14 4:5	EDIT 5:15 6:2 8:12,14 11:15,17,18, 24	excess 4:19, 25 5:5 6:6 8:2,17 11:14	Floor 2:6,10 7:11	hearing 3:2,4, 10,23 4:6,9 6:17,19,21,24 7:2,18 8:25 9:2,4,13,15,
discuss 4:4		exhibit 9:11	forward 5:10, 24 6:6	
			Fourth 7:11	

17 10:5,9,12, 22 12:10,12, 14,17	interested 8:8	K	March 4:22 7:25	Murray 2:18 3:22 10:10, 12,19 12:8
here 3:17 7:11	into 4:12	Kelly 2:15 3:14 4:3,4	material 10:6	N
highlight 5:12	IRS 5:3 8:12	L	matter 9:21	name 3:9 7:7, 9 10:17,19
I	issue 6:14	Lake 2:3,7,10	may 4:16 7:23	need 3:24 9:13
impact 4:19 10:7	January 5:4	law 4:12,13, 14 8:2	Mendenhall 2:15 3:14 4:3, 5,6	negatively 11:25
impacting 11:25	Jeff 3:19 7:1	leading 8:9	method 5:2	negotiations 8:7 11:8
impacts 3:5 4:14 5:15 8:1	Jeffery 2:16 7:9	led 10:25 11:8	Mike 3:9	new 3:5
important 11:11	Jetter 2:5,17 3:16 6:17,18, 24,25 7:6 8:22 12:12,13	legislation 3:5	million 5:1,8, 18 6:8	next 6:3 11:18
income 4:20, 24,25 5:5 6:7 8:3,18 11:14	jjetter@ agutah.gov 2:8	like 7:1	minute 9:13	nonplant 5:6
information 4:23	job 4:12	line 5:19	money 6:10	nonplant- related 11:17
Initially 7:16	June 5:14	little 4:10 5:9	Moore 2:9,18 3:20 6:19,20 9:2,3 10:9,10, 16 12:8	nonprotected 11:17
interest 7:19 8:20 11:12 12:5	Justin 2:5 3:16	located 7:11	morning 3:3	normalization 8:12
		M	most 8:2	notice 3:4
		made 7:13	move 10:7	
		manner 8:15	moving 11:21	

number 5:24	owed 12:2	plant-related 6:2 11:14,18	8:13	rates 9:8,9, 21,22,25 10:1
<hr/> O <hr/>	<hr/> P <hr/>		provide 3:5,6	rating 12:1
occupation 7:8	paragraph 5:14	point 7:13	provided 4:3, 23 9:18	read 10:21
office 3:17, 21,22 4:16 7:10 10:10,20 11:2,7,11,19 12:3	part 4:18	portion 6:1 8:14	provision 5:24 6:7	reasonable 6:13 7:18 8:15,19 12:4
officer 2:9 3:2,10,23 4:6, 9 6:17,19,21, 24 7:2 8:25 9:2,4,13,15, 17 10:5,9,12 12:9,10,12,14	participate 10:24	position 7:22 12:1	public 3:18 7:10,19 8:20 11:12 12:4	receive 11:13
	participated 8:7 11:2,7	possible 11:25	pursuant 3:6	recent 8:2
	parties 5:14 6:5,9,14 7:14 8:8 11:8,19, 22	prepared 11:3	<hr/> Q <hr/>	recommend 12:5
offsetting 12:1	partis 5:25	presiding 3:10 12:9	quarter 4:20	reconciliation 3:6
one 5:16,21 9:4	payers 8:16	pricing 3:15 4:5	question 9:15 10:4	record 3:2 7:8
opportunity 7:12 8:5	percentage 9:6,8,19,22 10:7	procedural 4:11	questions 6:17,18,20 8:22,24 9:1,3 12:9,11,13	refer 10:3
options 11:22	perhaps 12:1	proceed 11:6	quickly 11:24	Reform 5:16
order 6:14	period 5:7,16, 21 6:9	proceeding 4:18	<hr/> R <hr/>	regulatory 3:15 4:5 12:2
over 5:16,21 11:24	place 3:3	promptly 11:15	rate 5:2 6:3, 10 8:3,16 9:25 11:18,21	related 4:24, 25 5:6,15 8:13
	plant 4:25	protected		relation 8:3

remaining 6:2 11:17	review 7:13 8:5	13,19,25 6:15 7:14,17 8:9, 18 9:5 10:22, 24	10:22	5:13 6:15
Rephrase 9:15	rmoore@ agutah.gov 2:11	shown 5:18	such 11:23	terribly 10:5
report 4:14, 19 7:25 8:6	Robert 2:9 3:20	signed 4:12	summary 6:16 7:21	testify 11:3
representing 3:17,21	rules 8:12	South 2:2,6,9 7:11	support 11:3	testimony 12:6
requirement 8:4	S	speak 5:9	surcredit 5:17 11:15	their 9:20 11:15
requirements 11:20	Salt 2:3,7,10	specific 11:10	swear 4:6 7:2 10:12	through 11:15
requires 5:3	same 9:21 10:6	Spencer 2:2 3:12,25 4:1 6:21,23 8:25 9:1 12:10,11	sworn 7:1 10:11	time 3:3 11:23
rest 6:6	satisfied 8:11	state 2:2 7:7 10:17	T	titled 3:6
restate 9:16	says 5:14,25	stipulation 4:2,17,18 5:12,13,25 6:12,15 7:14, 17 8:9,11,18 9:6,20 10:22, 25 11:4,9,11 12:3	table 3:19	titles 3:7
result 4:12 6:13 8:19 9:20 12:4	second 5:5	Street 2:2	take 3:11 5:21 9:13	today 3:17 4:1 7:18 8:10, 19 9:10 11:1
resulting 8:15	Section 4:2	subject 8:17	talking 6:8	treated 6:7
return 11:24	Service 3:21 4:17		tax 3:5 4:11, 14,24 5:16 6:7 8:2,18	treatment 5:10 11:16
returned 8:16	Services 10:20		taxes 4:20,24, 25 5:6 8:3 11:14	truth 4:7 7:3 10:13
revenue 8:4 11:20	settlement 4:2,4,17 5:12,		terms 4:4	turn 5:11,18

two 4:24	versus 9:23
typical 9:7,19	W
U	
	want 4:10
UAE 4:17	will 5:9,16,17, 20,21 6:3,10 8:13 9:6,19 11:18,19,22
unprotected 6:1 8:14	
until 7:13	without 11:25
use 11:23	witness 2:14 3:19 4:3,8,10 7:4 9:11,14, 16 10:3,8,14
using 5:2	
UT 2:3,7,10	witnesses 6:22
Utah 3:5,13, 15,16,18 5:1	Y
Utilities 3:18 7:10	year 3:7 5:16, 21
utility 7:9 10:19	yet 5:9
V	
value 8:15	
various 11:22	