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State of Utah
Department of Commerce
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 15, 2019

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

Dominion Energy Utah, Supplemental Information Tax Reform Surcredit; Dominion Energy Utah's Submission to Remove Tax Reform Surcredit 2 from Rates.

RECOMMENDATION (Approve Proposed Tariff Changes)

The Division of Public Utilities ("Division") recommends the Utah Public Service Commission ("Commission") approve the proposed tariff changes presented by Dominion Energy Utah ("DEU") via letter to the Commission dated July 1, 2019. The proposed tariff changes effectively retire the Tax Reform Surcredit 2 ("Surcredit 2") as of July 31, 2019, in accordance with the original settlement stipulation and subsequent order.

ISSUE

The Commission approved a settlement stipulation negotiated between DEU, the Division, the Office of Consumer Services, and the Utah Association of Energy Users ("Settlement Stipulation") 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 ordered to refund to ratepayers the tax savings accrued from January 1, 2018 through May 31, 2018, along with

interest on the accrued balance, through the Surcredit 2 mechanism. Surcredit 2 was designed to refund the tax savings over the twelve-month period beginning August 1, 2018 and ending July 31, 2019. This application by DEU is to retire Surcredit 2 as originally planned.

BACKGROUND

Previously, DEU filed proposed tariff changes effective June 1, 2018 to begin refunding savings to ratepayers from distribution non-gas 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 the Settlement Stipulation via a Bench Ruling by the 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 ratepayers accrued from January 1, 2018 through May 31, 2018, including interest on the amounts at the approved rate used for other balancing accounts. This Surcredit 2 in the current tariff was approved to begin August 1, 2018 and end July 31, 2019. DEU's current proposed tariff change is to end Surcredit 2 as originally planned.

The Commission issued an action request on July 1, 2019, directing the Division to review for compliance DEU's current application to eliminate Surcredit 2, and make recommendations. For expediency, the Division does not recite the complete history of this tax 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 February 20, 2018, April 24, 2018, and July 16, 2018 initially establishing this surcredit. This memorandum is the Division's response to the Commission's action request dated July 1, 2019.

ANALYSIS

The Division compared the original tax surcredit calculation of \$9,555,000 to the amounts refunded to ratepayers through the eleven months ended June 2019. Our review indicates Surcredit 2 is accomplishing the intended tax refund to customers. DEU will complete a final accounting of Surcredit 2 after the accounting records are finalized subsequent to August 31,

2019. DEU estimates a remaining credit due ratepayers of less than \$500,000 will be applied to customers through the pipeline integrity expense mechanism as agreed in the Settlement Stipulation.

CONCLUSION

The Division finds the proposed tariff changes submitted by DEU dated July 1, 2019 comply with the Settlement Stipulation, specifically related to the timely retirement of Surcredit 2. The Division recommends the Commission approve the revised tariff changes.

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