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Application of Dominion Energy Utah to Change the Infrastructure Rate Adjustment	<u>DOCKET NO. 18-057-21</u>
	<u>ORDER</u>

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ISSUED: November 28, 2018

**SYNOPSIS**

The PSC approves the above rate application on an interim basis, subject to audit, effective December 1, 2018.

This approval increases the annual bill of a typical GS residential customer by approximately \$5.21, or 0.87 percent.

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**BACKGROUND**

In 2010, the Public Service Commission of Utah (PSC) approved the Infrastructure Tracker Pilot Program (Tracker)<sup>1</sup> as a means to allow Dominion Energy Utah (DEU)<sup>2</sup> to track and recover, through incremental natural gas rate surcharges, costs directly associated with replacement of aging gas distribution infrastructure. Subsequently, in DEU's 2013 general rate case (2013 GRC), the PSC authorized DEU to continue the Tracker provided that DEU must first complete and place into service \$84 million in infrastructure investment.<sup>3</sup> This docket addresses the tenth Infrastructure Rate Adjustment (IRA) application filed since the 2013 GRC.

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<sup>1</sup> See *Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges and Make Tariff Modifications* (Report and Order, issued June 3, 2010; Docket No. 09-057-16), available at: <https://psc.utah.gov/2016/06/27/docket-no-09-057-16/>. This docket was filed by DEU's predecessor, Questar Gas Company.

<sup>2</sup> DEU and Questar Gas Company are used synonymously throughout this order.

<sup>3</sup> See *Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications* (Report and Order, issued February 21, 2014; Docket No. 13-057-05), available at: <https://psc.utah.gov/2016/06/27/docket-no-13-057-05/>.

**DISCUSSION**

DEU filed the above application (Application) on November 1, 2018 requesting to modify the Tracker-related distribution non-gas portions of GS, FS, Natural Gas Vehicle (NGV), IS, Transportation Bypass Firm Service (TBF), Municipal Transportation (MT), and Transportation Service (TSF and TSI) rate schedules. The Application proposes the rate adjustments be made effective December 1, 2018, and, if approved, will result in an increase in a typical residential customer's annual bill<sup>4</sup> by approximately \$5.21, or 0.87 percent.

On November 13, 2018, the Division of Public Utilities (DPU) filed comments recommending PSC approval of the Application, on an interim basis, pending the DPU's audit and final recommendation to the PSC. On November 26, 2018, the PSC's designated Presiding Officer held a hearing in this docket. The DEU and the DPU appeared at hearing, along with their respective counsel, in support of the Application.

The uncontested Application and supporting evidence are briefly summarized as follows. Exhibit 1.1 to the Application represents that approximately \$388.111 million in cumulative infrastructure investment was placed in service from January 2013 through October 2018. The Application reflects a revenue requirement of \$32.625 million<sup>5</sup> on the investment in excess of \$84 million at the time the Application was filed and is an incremental revenue requirement increase of \$7.005 million since the previous IRA filing in Docket No. 18-057-11.

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<sup>4</sup> Based on 80 Decatherms used per year.

<sup>5</sup> This amount includes a \$123,270 revenue requirement reduction associated with interruptible penalties in accordance with Section 3.02 (Periods of Interruption) of DEU's Utah Natural Gas Tariff PSCU 500.

In support of the Application, DEU filed exhibits presenting the amount of infrastructure investments, calculations showing the amount of revenue required to compensate DEU for the tracked investments, and revised tariff sheets reflecting the proposed rate adjustments. DEU calculates the Tracker revenue requirement as follows:

**Revenue Requirement Calculation<sup>6</sup>**

	<b><u>Revised Revenue Requirement</u></b>
1. Total Net Investment	\$388,111,439
2. <u>Less: Amount currently in rates</u>	(\$84,000,000)
3. <b>Replacement Infrastructure Tracker</b>	<b>\$304,111,439</b>
4. <u>Less: Accumulated Depreciation</u>	(\$12,996,402)
5. <u>Accumulated Deferred Income Tax</u>	(\$41,916,552)
6. <b>Net Rate Base</b>	<b>\$249,198,484</b>
7. <u>Current PSC-Allowed Pre-Tax Rate of Return</u>	x 9.33%
8. <b>Allowed Pre-Tax Return</b>	<b>\$23,250,219</b>
9. <u>Plus: Net Depreciation Expense</u>	\$6,507,985
10. <u>Net Tax Other Than Income</u>	\$2,990,382
11. <b>Total Revenue Requirement</b>	<b>\$32,748,585</b>
12. <u>Less: Reduction for Interruptible Penalty</u>	(\$123,270)
13. <b>Remaining Revenue Requirement</b>	<b>\$32,625,315</b>
14. Previous Revenue Requirement	\$25,620,240
15. <b>Incremental Revenue Requirement</b>	<b>\$ 7,005,075</b>

At hearing, DEU testified the Application is just and reasonable, and in the public interest.<sup>7</sup> The DPU testified that PSC approval of DEU's Application will result in an annual increase of \$5.21, or 0.87 percent, for a typical GS customer.<sup>8</sup> The DPU also testified the Application complies with prior PSC orders and is just and reasonable, and in the public

<sup>6</sup> See Application, Exhibit 1.1 at 4, filed November 1, 2018.

<sup>7</sup> See November 26, 2018 Audio of Hearing at 6:18–6:25, available at: [https://www.youtube.com/watch?v=hptF-N\\_Y6Tg](https://www.youtube.com/watch?v=hptF-N_Y6Tg).

<sup>8</sup> See *supra* n.4.

interest.<sup>9</sup> The DPU recommended the PSC approve the Application on an interim basis, effective December 1, 2018, until the DPU can complete its audit. No other parties appeared, and no one opposed the Application.

**FINDINGS, CONCLUSIONS, AND ORDER**

Based on DEU's Application and accompanying exhibits, the DPU's comments, the testimony and evidence presented at hearing, and given no opposition to the Application, we find the proposed rates are just and reasonable, and in the public interest.

Therefore, the PSC orders the rates proposed are approved on an interim basis, effective December 1, 2018, pending the results of the DPU's forthcoming audit.

DATED at Salt Lake City, Utah, November 28, 2018.

/s/ Melanie A. Reif  
Presiding Officer

Approved and confirmed November 28, 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#305675

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<sup>9</sup> See *supra* n.7 at 5:29-5:45. See also DPU's Comments at 4, filed November 13, 2018 (stating "[t]his [A]pplication complies with past [PSC] orders[.]").

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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 November 28, 2018, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

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