

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

---

Application of Dominion Energy Utah for Modification of Memorandum Opinion, Findings, and Order Approving Joint Application in Docket No. 16-057-01	<u>DOCKET NO. 18-057-23</u>
	<u>AND</u>
In the Matter of the Joint Notice and Application of Questar Gas Company and Dominion Resources, Inc. of Proposed Merger of Questar Corporation and Dominion Resources, Inc.	<u>DOCKET NO. 16-057-01</u>
	<u>ORDER</u>

---

ISSUED: January 4, 2019

**SYNOPSIS**

The Public Service Commission of Utah (PSC) approves an unopposed application to modify the PSC's order approving the settlement stipulation filed in Docket No. 16-057-01.

---

**BACKGROUND AND PROCEDURAL HISTORY**

**Docket No. 16-057-01**

On March 3, 2016, Dominion Energy Utah's (DEU) predecessor, Questar Gas Company (Questar), and Dominion Resources, Inc. (now, Dominion Energy, Inc.) filed a Joint Application seeking PSC approval of the merger of Dominion Resources, Inc. and Questar Corporation, together with an Agreement and Plan of Merger. On August 15, 2016, Questar, DEU, the Division of Public Utilities (DPU), the Office of Consumer Services (Office), Utah Association of Energy Users (UAE), American Natural Gas Council, Inc. (ANGC), and the Governor's Office of Energy Development (GOED) (collectively, the Parties) filed a Settlement Stipulation (Merger Stipulation) requesting a PSC order approving and granting the Joint Application and merger, subject to terms and conditions set forth in the Merger Stipulation. The PSC approved the Merger Stipulation on September 14, 2016 (Merger Order).

**Docket No. 18-057-23**

On November 19, 2018, DEU filed an application (Application) requesting the PSC modify its Merger Order and approve an amendment to the Merger Stipulation approved by the Merger Order. Paragraph 23 of the Merger Stipulation provides: “Dominion, through Dominion Questar, will provide equity funding, as needed, to Dominion Questar Gas in order to maintain an end-of-- year common equity percentage of total capitalization in the range of *48-55 percent* (48-55%) through December 31, 2019.”<sup>1</sup>

DEU notes in its Application that in 2017, the U.S. government passed into law the Tax Cuts and Jobs Act of 2017 (Act), resulting in, among other things, a reduction in the statutory tax rate from 35% to 21% and eliminating bonus depreciation for utilities. According to DEU, “[t]hese two changes have in turn reduced the amount of cash collected from customers, and put negative pressure on [DEU’s] credit metrics.... In an effort to improve [DEU’s] credit metrics in response to the Act, [DEU] believes it is necessary to issue additional equity to replace debt and hopefully avoid a credit downgrade. This action may require [DEU] to issue equity in an amount that would put its common equity percentage of total capitalization above the 55% cap set forth in Paragraph 23 of the [Merger] Stipulation . . . approved in the Merger Order.”<sup>2</sup>

According to DEU, the following amendment to Paragraph 23 of the Merger Stipulation will honor the original intent of the Stipulation and hold customers harmless, while attempting to avoid a credit downgrade:

Dominion through Questar Gas will provide equity funding, as needed, for the first four calendar years following the Effective

---

<sup>1</sup> Application at 2 (emphasis added).

<sup>2</sup> *Id.* at 2-3.

Time, in order for Questar Gas to maintain an end-of-year common equity percentage of total capitalization in the range of 48 to 55 percent through December 31, 2019. If, during the first four calendar years following the Effective Time, Questar Gas increases its common equity percentage of total capitalization above 55% to maintain credit metrics, the equity percentage of total capitalization proposed by Questar Gas in its first general rate case after the Effective Time shall not exceed 55%. In the second general rate case following the Effective Time, Questar Gas will work to maintain and propose equity levels that are within the equity level ranges of a basket of A rated peers. If it proposes an equity level above the equity level ranges of a basket of A rated peers it must specifically identify factors unique to Questar Gas that prevent being within that range. The Parties do not intend that allowing equity capitalization at or above 55% creates any presumption that the outcome of a general rate case would allow equity capitalization at or above 55%.<sup>3</sup>

According to DEU, the Parties to the Merger Stipulation agree to this amendment, and all other provisions in the Merger Stipulation shall remain unchanged.<sup>4</sup> DEU contends the proposed change to Paragraph 23 of the Merger Stipulation is in the public interest, and is just and reasonable.<sup>5</sup> Further, attached to DEU's Application is a Stipulation to Modify the PSC's Order in Docket 16-057-01, signed by the Parties, in which the Parties request the change noted above to Paragraph 23 of the Merger Stipulation, noting the proposed change is in the public interest, and just and reasonable in result.

The PSC issued a Notice and Comment Period on November 20, 2018, allowing any interested party the opportunity to comment on the Application on or before December 19, 2018, and reply on or before January 3, 2019.

---

<sup>3</sup> Application at 3-4.

<sup>4</sup> *See id.* at 4.

<sup>5</sup> *See id.*

On December 17, 2018, the DPU filed comments supporting the Application, stating it believes the proposed amendment to Paragraph 23 of the Merger Stipulation “preserves the [DPU’s] rights and responsibilities to analyze, present evidence, and recommend equity levels less than 55% in immediately anticipated and future rate cases if the [DPU] feels such lower equity levels are prudent and in the public interest.”<sup>6</sup> Further, having reviewed and analyzed the Merger Order, the Act, related circumstances causing negative pressures on credit metrics and possible credit downgrades, and the associated potential adverse impact to ratepayers, the DPU supports the Stipulation to Modify is just, reasonable, and in the public interest. Accordingly, the DPU recommends the PSC approve DEU’s Application.

No other parties submitted comments, and the opportunity to do so has since elapsed.

DEU filed reply comments on December 20, 2018, agreeing with the DPU that the Stipulation to Modify is just, reasonable, and in the public interest, and helps to maintain DEU’s financial health while at the same time preserving the spirit of the Merger Stipulation and Merger Order. DEU adds, “[b]ecause the Merger Stipulation already preserves the rights of parties to propose equity levels below 55%, no additional direction or order from the [PSC] is necessary at this time. [DEU] intends to issue additional equity . . . that will raise equity levels above the 55% cap. For this reason, [DEU] respectfully asks the [PSC] to issue an order on this matter as expeditiously as possible.”<sup>7</sup>

No other parties submitted reply comments, and the opportunity to do so has since elapsed.

---

<sup>6</sup> DPU Recommendation at 3-4.

<sup>7</sup> DEU Reply Comments at 3.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Settlements of matters before the PSC are encouraged at any stage of a proceeding.<sup>8</sup> 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.<sup>9</sup>

The evidence in this docket is uncontested. The Parties agree that the proposed amendment to the Merger Stipulation through the Stipulation to Modify is in the public interest, and is just and reasonable in result. Further, no party opposed the Stipulation to Modify.

Based on the Application and its exhibits, the comments submitted, our review of the proposed amended Merger Stipulation through the Stipulation to Modify, and there being no opposition to the Stipulation to Modify, we find settlement of these issues is in the public interest, and the Stipulation to Modify is just and reasonable in result.

**ORDER**

Based on the foregoing findings and conclusions, we approve the Application, including the accompanying Stipulation to Modify, filed on November 19, 2018 in this docket. Similarly, we modify our September 14, 2016 Order in Docket No. 16-057-01 consistent with this Order.

---

<sup>8</sup> See Utah Code Ann. § 54-7-1(3)(a).

<sup>9</sup> See Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

DOCKET NOS. 18-057-23 and 16-057-01

- 6 -

DATED at Salt Lake City, Utah, January 4, 2019.

/s/ Thad LeVar  
Chair

/s/ David R. Clark  
Commissioner

/s/Jordan A. White  
Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#306137

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 January 4, 2019, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Kelly Mendenhall ([kelly.mendenhall@dominionenergy.com](mailto:kelly.mendenhall@dominionenergy.com))  
Jenniffer Nelson Clark ([jenniffer.clark@dominionenergy.com](mailto:jenniffer.clark@dominionenergy.com))  
*Dominion Energy Utah*

Gregory B. Monson ([greg.monson@stoel.com](mailto:greg.monson@stoel.com))  
Cameron L. Sabin ([cameron.sabin@stoel.com](mailto:cameron.sabin@stoel.com))  
*Stoel Rives LLP*

Mark O. Webb ([mark.webb@dom.com](mailto:mark.webb@dom.com))  
Sharon L. Burr ([sharon.l.burr@dom.com](mailto:sharon.l.burr@dom.com))  
Lisa S. Booth ([lisa.s.booth@dom.com](mailto:lisa.s.booth@dom.com))  
*Dominion Resources, Inc.*

Joseph K. Reid III ([jreid@mcguirewoods.com](mailto:jreid@mcguirewoods.com))  
Bernard L McNamee II ([bmcnamee@mcguirewoods.com](mailto:bmcnamee@mcguirewoods.com))  
*McGuireWoods*

Brian W. Burnett ([bburnett@kmclaw.com](mailto:bburnett@kmclaw.com))  
*Kirton McConkie*

Kevin Higgins ([khiggins@energystrat.com](mailto:khiggins@energystrat.com))  
Neal Townsend ([ntownsend@energystrat.com](mailto:ntownsend@energystrat.com))  
*Energy Strategies*

Gary A. Dodge ([gdodge@hjdllaw.com](mailto:gdodge@hjdllaw.com))  
Phillip J. Russell ([prussell@hjdllaw.com](mailto:prussell@hjdllaw.com))  
*Utah Association of Energy Users*

Damon E. Xenopoulos ([dex@smxblaw.com](mailto:dex@smxblaw.com))  
Jeremy R. Cook ([jcook@cohnekinghorn.com](mailto:jcook@cohnekinghorn.com))  
*Nucor Steel-Utah*

Richard Bell ([rbell1@utah.gov](mailto:rbell1@utah.gov))  
*Governor's Office of Energy Development*

Stephen F. Mecham ([sfmecham@gmail.com](mailto:sfmecham@gmail.com))  
Bruce Rigby ([info@amngc.org](mailto:info@amngc.org))  
*American Natural Gas Council, Inc.*

Yvonne Hogle ([yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com))  
Jana Saba ([jana.saba@pacificorp.com](mailto:jana.saba@pacificorp.com))  
*Rocky Mountain Power*

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

Erika Tedder ([etedder@utah.gov](mailto:etedder@utah.gov))  
Division of Public Utilities

By Hand Delivery:

Office of Consumer Services  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, Utah 84111

---

Administrative Assistant