



State of Utah  
Department of Commerce  
Division of Public Utilities

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## ACTION REQUEST RESPONSE

### To: **Public Service Commission**

From: Division of Public Utilities

Chris Parker, Director  
Energy Section  
Artie Powell, Manager  
Doug Wheelwright, Technical Consultant  
Eric Orton, Technical Consultant

Date: February 14, 2018

Subject: Action Request Response regarding Docket No. 18-057-T01.

Application of Dominion Energy Utah to Change the Infrastructure Rate Adjustment

Dominion Energy Utah's Proposed Tariff Revisions to Section 2.07, Infrastructure Rate Adjustment Tracker, and Associated Refund.

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### RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) accept the proposed new Infrastructure Rate Adjustment (Tracker) tariff rates as requested by Dominion Energy Utah (Company) in its application. After reviewing the application, the proposed changes are accurately portrayed and the Division recommends that these tariff changes be approved with an effective date of March 1, 2018.

### BACKGROUND

On January 31, 2018, the Company filed this request for new Tracker rates due to the recent change in the Federal Tax Rates. On February 1, 2018, the Commission sent its Action Request

to the Division directing it to perform an investigation with a due date of February 15, 2018. The Notice of Filing and Comment Period also issued by the Commission on February 1, 2018 changed this due date to February 14, 2018. This is the Division's Action Request Response and its comments.

It should be noted that the application was originally filed by the Company as Docket No. 17-057-23. The Commission changed the filing number to Docket No. 18-057-T01.

### **ISSUES**

On December 1, 2017, new Tracker rates became effective as a result of the Commission's ruling in Docket No. 17-057-23. The tax rate used in the calculation of those rates was 35%. On December 22, 2017, the corporate federal income tax rate was changed from 35% to 21%. This change effects the calculation and the amount that should be collected in Tracker rates.

Accordingly the Company filed new tariff sheets with supporting exhibits with this application.

### **DISCUSSION**

The Company filed this docket to request a change in its tariff rates in section 2.07. In the rates that became effective December 1, 2017, the Tracker revenue requirement was \$24.623 million. This request is for a new revenue requirement of \$22.105 million, which is a reduction of \$2.518 million. The Company supports this application by including six exhibits, four of which are revised from the 17-057-23 docket.

Exhibit 1.3R shows the proposed Cost of Service Allocation of this \$22.105 million revenue requirement.

Exhibit 1.4R shows how this amount will be divided among the different classes of the Company's customers using the demand charge and volumetric rates.

Exhibit 1.5R shows the monthly change to a typical GS customer representing an annual decrease of \$1.93 or 0.27 %.

Exhibit 1.6R shows the legislative and rate schedule tariff sheets in the applicable classes of customers.

Exhibit 1.7 shows the effect of the updated tax law on the Tracker revenue requirement, with line 7 showing a 1.46% (rounded) reduction in the pre-tax rate of return resulting in the \$2.518 million revenue requirement reduction discussed previously.

Exhibit 1.8 shows how applying the Effective Tax Rate to the Common Equity provides the Company the pre-tax rate of return calculation which results in the 1.47% reduction (rounded) mentioned above.

## **CONCLUSION**

This application, and the accompanying tariff sheets accurately reflect the proposed changes filed by the Company. The Division has reviewed the filing along with the respective exhibits and believes the methods used by the Company are reasonable. Therefore, the Division recommends that the Commission approve the proposed rates and tariff sheets and make them effective March 1, 2018.

The Division also notes that as the Company continues to study the impacts of the tax law change and the accumulated deferred income tax account will likely need revision as well. The Division's priority is to make customer rates reflect the tax changes as soon as practicable.

CC: Kelly Mendenhall, Questar Gas Company  
Michele Beck, Office of Consumer Services