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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: March 8, 2018

Subject: Action Request Response regarding Docket No. 18-057-T02.

In the Matter of the Annual Calculation of the Third-Party Billing Rate and Request for Tariff Change

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the updated tariff sheets attached to this memo for section 8.08 Billing for Other Entities provided to the Division by Dominion Energy Utah (Company).

BACKGROUND

On June 1, 2017, the Company submitted its original Application in docket 17-057-T04 to the Commission. In a July 28, 2017, order the Commission approved the third-party billing rate, specifying that “On or before March 1 of each year, the Company shall calculate the per-line rate and file a letter with the Commission reflecting the rate, to be effective on April 1 of each year.”

Accordingly, on February 28, 2018, the Company submitted its updated calculations for the per-line rate for a minimum charge per bill.

On that same day, the Commission issued an Action Request to the Division directing it to investigate the application and submit its comments on or before March 15, 2018. This memorandum is the Division's response to that Action Request.

DISCUSSION

Exhibit 1.1 of this application shows the calculations of certain billing costs to the Company and the proposed charge for providing third party billing services. The Division has reviewed the calculations and questioned the Company regarding the Pre-tax Rate-of-Return (line 19). As a result of that inquiry, the Company has provided revised exhibits representing Exhibit 1.1U, 1.2U and 1.3U (attached). These updated exhibits represent the Wexpro pretax return of 24.68% for 2018 rather than the 30.27% used in 2017. This change is the result of the recently passed federal tax reform.

This pre-tax revision reduced costs by about \$72,000, which lowered the overall Cost Per-Line Calculation substantially more than all the other changes combined.

The Division also compared the filed 17-057-T04 Exhibit 1.2, the updated Exhibit 1.2U, the Exhibit 1.1 and the updated Exhibit 1.1U in this docket. The Division notes the other drivers for the new billing rate calculations are:

- Printer Maintenance costs have declined,
- Inserter Maintenance costs have increased,
- Overhead costs have increased.

All these result in a net increase of about \$4,000.

Also of note is the decreased number of mailings to customers by about 133,000 showing that fewer customers are having the Company send paper bills to their homes, which would proportionally increase the fixed costs of sending out bills.

The filed Exhibit 1.2 is the proposed tariff sheets in legislative format while Exhibit 1.3 is the proposed tariff sheets. The attached Exhibits 1.1U, 1.2U and 1.3U were provided by the Company to correct for the new tax rate. Following this correction, the updated exhibits appear accurate.

The old rate for the first 11 lines was \$.16062 compared to the new rate of \$.16219, and for each additional line the old rate was \$.01460 compared to the new rate of \$.01474. A difference of \$.00157 and .00014 respectively.

CONCLUSION

The Division remains concerned about the stated costs and benefits of this proposed venture and wants to make certain that there will be no costs, financial risk, or other burdens that could be foisted onto ratepayers. However, not seeing alarming anomalies in this filing, and after adjusting for the new tax rate, the Division recommends the Commission approve the updated tariff sheets filed with this memo and make them effective April 1, 2018.

CC: Maria Wright, Division of Public Utilities
Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services