- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications	DOCKET NO. 19-057-02 ORDER DENYING PETITIONS FOR AGENCY REVIEW AND REHEARING OF THE PSC'S FEBRUARY ORDER

ISSUED: April 14, 2020

On July 1, 2019, Dominion Energy Utah (DEU) filed an application with the Public Service Commission (PSC) requesting authority to increase its distribution non-gas (DNG) retail rates by $19,249,740, or 5 percent ("Application"), and to implement new rates, effective March 1, 2020. On February 25, 2020, the PSC issued a Report and Order on DEU's Application ("February Order"). On March 25, 2020, the Utah Association of Energy Users (UAE) and the American Natural Gas Council (ANGC) each filed a Petition for Agency Review and Rehearing of the PSC's February Order ("Petition"). On April 9, 2020, DEU filed its Opposition to UAE's Petition for Reconsideration and Rehearing of Report and Order issued February 25, 2020; and its Opposition to ANGC's Petition for Agency Review and Rehearing of the Commission's Order issued February 25, 2020 ("DEU's Opposition to ANGC Petition").

UAE states that the February Order "imposes sharply increased rates for commercial, industrial, and institutional customers in the transportation service (TS) rate class that accelerate the phase-in approach beyond that proposed by any party in this matter."[1] Accordingly, the UAE Petition requests the PSC reconsider the part of the February Order that increased rates for commercial, industrial, and institutional customers in the TS rate class and set forth the schedule implementing the rate and the amount of the increase. ANGC states that the February Order does

[1] UAE Petition at 1 and 2.

not address ANGC's argument that "DEU's Tariff 5.01 limiting existing customers from converting to transportation service to one time each year is unreasonable and anticompetitive."[2] ANGC also argues that the combined administrative and customer charges that were approved in the February Order are "not cost[-]based, [i]nclude[ ] [c]osts that are [u]nreasonable and [u]nrelated to the [p]rovision of [t]ransportation and [s]hould be [s]uspended."[3] We decline to grant the UAE Petition or the ANGC Petition and therefore affirm our February Order, as explained below.

DISCUSSIONS, FINDINGS, AND CONCLUSIONS

A. The UAE Petition

In our February Order, we adopted the general concept of UAE's proposal to implement a three-step phase-in of the revenue increase to large TS customers and Transportation Bypass Firm (TBF) customers, finding that gradually moving these customers to full cost of service rates was in the public interest. We expressed that this approach, nevertheless, results in other classes continuing to bear some share of the TS class cost responsibility in the interim. Accordingly, in our February Order, we ordered the rate increase for the TS rate class be implemented in three-step rate changes as follows: 1) 50% of the increase effective March 1, 2020; 2) 25% of the increase effective on the date of the filing of DEU's Infrastructure Tracker (IT) mechanism application in the fall of 2020; and, 3) the final 25% increase effective on the date of the filing of DEU's IT application in the fall of 2021. There was no consensus among the parties on the pace

[2] ANGC Petition at 1.
[3] *Id.* at 3.

of transition to full cost of service for these classes and we, therefore, decided to implement the transition gradually to achieve full cost of service over one and one-half years.

UAE argues that "[w]hile the [PSC] has broad authority to implement rates, nothing in the [February] Order or on the record in this docket supports the [PSC's] decision to depart from the range of proposals presented to it by the parties."[4] Our selection of the schedule for and the amount of the proposed step rate change for these rate classes is a policy decision in which we balanced the magnitude of these necessary rate increases to the TS and TBF classes against the costs that will continue to be borne by other classes until the TS and TBF classes reach full cost of service. We expressed concern that moving the TS and TBF classes to full cost responsibility gradually rather than immediately would require other classes to continue to subsidize the TS and TBF classes. However, using our own step rate increases and schedule, we indicated that compared to current rates, the cost burden borne by other classes is small and of relatively short-term duration.

We disagree with UAE's contention that neither the February Order nor the record support our decision.[5] As shown in Table 4 of the February Order, in addition to the TS and TBF

[4] UAE Petition at 7-8.

[5] Our policy decision is within our discretion, is supported by the February Order and the record, and also falls within our broad authority. Utah Code Ann. § 54-4-1 grants the PSC considerable power in exercising its ratemaking authority, stating:

> The commission is hereby vested with power and jurisdiction to supervise and regulate every public utility in this state, and to supervise all of the business of every such public utility in this state, and to do all things, whether herein specifically designated or in addition thereto, which are necessary or convenient in the exercise of such power and jurisdiction …

See also Mountain Fuel Supply Co. v. Public Serv. Comm'n, 861 P.2d 414 (Utah 1993) in which the Utah Supreme Court stated that the governing provisions of the Utah Public Utility Code appear to grant discretion to the PSC to consider a broad range of factors in determining just and reasonable rates under Utah Code Ann. § 54-3-1.

customer classes, the Firm Sales (FS) and Natural Gas Vehicle (NGV) classes also required cost allocation increases of 3.0% and 3.1%, respectively, to achieve their assigned cost of service.[6] These amounts are significantly smaller than the increases assigned to the TS and TBF customer classes of 38.4% and 48.7%, respectively. When comparing our three-step 50/25/25 rate increases with UAE's 25/37.5/37.5 proposal[7] for the NGV class, the cost allocation changes from the NGV's base were similar under both approaches (i.e., PSC's 3.6%, 3.4%, and 3.1% for Steps 1 through 3 vs. UAE's 3.9%, 3.5%, and 3.1%). However, for the FS customer class, the assigned allocation changes from the FS base DNG revenue for Steps 1 and 2 diverged significantly (i.e., PSC's 8.3% and 5.7% vs. UAE's 11.0% and 7.0%, respectively). UAE's proposal would result in a greater than 10% cost allocation increase to the FS class in Step 1. The following table provides a comparison of the cost-allocation information for the FS class.

FS Class	PSC Allocation	UAE Allocation
Current DNG Revenues	$2,730,771	$2,730,771
COS Increase	$81,139	$81,139
Step 1 Gradualism	$146,505	$219,758
Step 1 Total Increase	$227,644	$300,897
Step 1 - % Increase from base	8.3	11.0
Step 2 Gradualism	$73,253	$109,879
Step 2 Total	$154,392	$191,018

[6] The assigned cost of services includes the 50% TBF cost of service adjustment.
[7] Both our and UAE's gradualism three-step rate increase approaches rely on DEU's Firm Sales Factor 240 to allocate the amount the TS and TBF customer classes were otherwise responsible for.

Step 2 - % Increase from base	5.7	7.0
Step 3 Gradualism	0	0
Step 3 Total	$81,139	$81,139
Step 3 - % Increase from base	3.0	3.0

As demonstrated above and in the tables in the February Order, UAE's proposed three-step rate increase would impact other customers to a significantly larger degree and extends this larger increase for a longer period. We do not find that outcome to be reasonable. Therefore, we reaffirm the use of our three-step rate increase and schedule for the TBF and TS customer classes. It strikes the right balance between the magnitude of the necessary rate increase for these customer classes against the costs that will continue to be borne by other classes until the TS and TBF classes reach full cost of service, as we described in our February Order.

B. The ANGC Petition

ANGC states that we did not address its argument that DEU's Tariff 5.01 unreasonably limits existing customers from converting to TS service to once a year, and that we should therefore order DEU to allow for an open enrollment process for TS service. ANGC also requests that we reconsider our approval of the administrative charge for TS customers, and suspend it in accordance with the ANGC Petition.

As DEU notes, we have previously found and concluded that the requirements of PSC approved Tariff 5.01, including amendments thereto, are just, reasonable, and in the public interest.[8] We did not modify any of those findings or conclusions in our February Order. Accordingly, we did not explicitly address the issue again in this case. Further, based on the record evidence that DEU's proposed administrative and customer charges will collect the approximate amount allocated to the "Customer Function" in DEU's unbundled class cost of service study presented in the "Classification" tab of its rate case model, we reaffirm our finding that this evidence demonstrates cost causation and justifies the reduced charge as proposed by DEU. However, we recognize, and intended to be clear in our February Order, that both issues raised by ANGC will be included as part of the evaluation of the TS class composition and other cost allocation issues associated with rate classes in a separate proceeding following the February Order. We find that this review is appropriate and reasonable and therefore will soon establish a new docket in which parties will have the opportunity to provide additional evidence.

ORDER

We decline to modify our February Order based on the UAE Petition or the ANGC Petition.

DATED at Salt Lake City, Utah, April 14, 2020.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#313086

[8] DEU's Opposition to ANGC Petition at 2.

Notice of Opportunity for Judicial Review

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 April 14, 2020, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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