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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah
From: The Office of Consumer Services
Michele Beck, Director
Alyson Anderson, Utility Analyst
Date: April 12, 2021
Subject: Docket 19-057-02 Reply Comments
In the Matter of: Prudence Review of Investments Related to Dominion Energy Utah's Infrastructure Program

Introduction and Background

The Infrastructure Tracker Program ("ITP") was designed to allow Dominion Energy Utah's ("DEU") to track and recover costs, outside of a general rate case, directly related to the replacement of aging infrastructure through an incremental surcharge.

In Docket No. 19-057-02, the Office of Consumer Services ("OCS") asked the Utah Public Service Commission ("PSC") to clarify the intent and timing of the prudence review of investments related to DEU's ITP. In the February 25, 2020 Report and Order, the PSC found this request reasonable as the only guidance on the subject had been part of an approved Stipulation in Docket No. 09-057-16.

On January 13, 2021, the PSC issued a Request for Comments establishing Monday, March 15, 2021 and Monday, April 12, 2021 as the deadlines for interested parties to submit comments and reply comments, respectively.

On March 15, 2021, the OCS, Utah Division of Public Utilities ("DPU") and DEU submitted comments regarding the prudence review of investments related to DEU's ITP.

The following reply comments respond to the comments presented by DEU and DPU, and provide recommendations to the PSC.

OCS Response to DEU

In comments, DEU outlined the procedural regulatory framework for the ITP outlined in the PSC approved Settlement Stipulation in Docket 09-057-16. DEU states generally prudence is reviewed with each filing beginning with the annual Infrastructure Replacement Plan and Budget, followed by an updated Master List and Replacement Schedule, and quarterly variance reports culminating with the cost recovery filings. Stating: “The existing process for establishing replacement priorities, and annual plan and budget, and cost recovery provide the Division and interested parties with ample opportunity to examine the prudence of the Company’s actions, and for the Commission to make a prudence determination.”¹ The OCS does not disagree, but suggests that the process could be more transparent and the PSC could provide further specific direction to ensure that interested stakeholders could better understand what type of review is taking place at different points of the review process.

For example, the OCS recommends at least two specific changes. DEU should be required to file in the appropriate setting (either as additional language to its tariff and/or as an exhibit to its annual Infrastructure Replacement Plan and Budget filing) a specific listing of all relevant filings and review that will take place associated with the proposed investments.² This should include anticipated updates like the updated Master list and Replacement Schedule, a generic description of when the investments would be requested to be included in rate base, and the docket in which future DPU audits would take place. Further, DEU could at the time of cost recovery re-submit the investment timeline such that an observer could easily track the regulatory process and review associated with that investment for which cost recovery through the surcharge is sought.

OCS Response to DPU

¹ Docket No. 19-057-02 Dominion Energy Utah’s Comments Regarding Prudence Review for the Infrastructure Tracker Program, page 4.

² For example, the outline could include the following: timing of the ITP plan and budget, the updated Master Plan, the quarterly variance reports, the cost recovery through the ITP surcharge, the timing of the DPU audits (and which dockets the audits will be filed under), and when the request to move investments into rate base will be made (i.e. generally the next general rate case to be filed on or before a certain date.) OCS is not in a position to provide more specific recommendations for this list of filings/review because even after reviewing DEU and DPU's comments, we are not confident that we have a complete understanding of the process start to finish.

In comments, the DPU provided details of its review of each of DEU's ITP regulatory filings, stating "[t]he Division reviews each ITP filing Dominion makes for prudence and reasonableness....A one-time prudence review on a predetermined date is not best to meet this purpose, nor is it in the public interest. Rather, it is appropriate to perform its review in a manner fit to each filing."³ The OCS appreciates the review the DPU conducts of the ITP, however prior to the comments filed March 15, 2021 it was unclear what each review entailed and whether it included a review for reasonableness or prudence. It should be noted that the OCS has not previously and is not now recommending a one-time prudence review. In contrast, due to the ambiguity discussed in our comments and previous testimony, the OCS recommends the DPU explicitly explain its review and findings along the multiple stages of the review process. This would create a more transparent review process, increase understanding of the substantive issues, and better facilitate the final determination and inclusion in base rates during a general rate case. Further, the OCS believes it would be helpful for the DPU to provide an initial position on the prudence and reasonableness determination at the time of cost recovery through the ITP surcharge. Such an initial position would be contingent on final review of implementation and total costs.

RECOMMENDATION

The OCS recommends the following to refine the ITP review process and determine prudence of the ITP investments.

1. The PSC should outline the full process in its order, or require DEU and stakeholders to provide a comprehensive outline. The OCS recommends that the PSC require DEU to file in the appropriate setting (either as additional language to its tariff and/or as an exhibit to its annual Infrastructure Replacement Plan and Budget filing) a specific listing of all relevant filings and review that will take place associated with the proposed investments. The outline should include anticipated updates like the updated Master list and Replacement Schedule, a generic description of when the investments would be requested to be included in rate base, and the docket in which future DPU audits would take place.

³ Docket No. 19-057-02 Utah Division of Public Utilities Comments, page 8

2. The PSC should require DEU at the time of cost recovery of the ITP investment through the surcharge, to again submit the detailed timeline of investment replacement, such that an observer could easily track the investment from budget to completion. This will inherently allow the flexibility required by the nature of the program, but facilitate the review of investments before inclusion in the surcharge calculation.
3. The PSC should direct the DPU to explain what is reviewed at each step of the ITP regulatory process. This will provide greater transparency to the overall process, as well as facilitate the rate base review during a general rate case.
4. The PSC should also consider an interim approval of ITP investment at the time of cost recovery through the ITP surcharge. A large portion of the review process is completed by that time, and the approval process could be subject to prudent implementation and actual costs that could be reviewed at the time the investment is included in rate base. If the PSC implements this requirement, it should also direct the DPU to explicitly take a position on the prudence of the ITP plan at the time cost recovery begins.

cc: Chris Parker, DPU

Kelly Mendenhall, DEU