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Application of Dominion Energy Utah for  
Authority to Change its Depreciation Rates

DOCKET NO. 19-057-03  
ORDER APPROVING JUNE 27, 2019  
SETTLEMENT STIPULATION

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ISSUED: August 21, 2019

**SYNOPSIS**

The Public Service Commission of Utah approves a settlement stipulation filed in this docket addressing depreciation rates. The stipulated depreciation rates will be applicable in the calculation of Dominion Energy Utah’s revenue requirement in its general rate case, filed on July 1, 2019, in Docket No. 19-057-02, and will become effective on the date ordered in that docket.

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**PROCEDURAL HISTORY**

On February 4, 2019, Dominion Energy Utah (DEU) filed an application (“Application”) with the Public Service Commission of Utah (PSC) requesting approval from the PSC to authorize DEU to change its depreciation rates and reserve amortization amounts, and requesting that those amounts be used in calculating DEU’s revenue requirement in its next general rate case.<sup>1</sup>

On February 12, 2019, the PSC’s Presiding Officer held a scheduling conference and, thereafter, issued a scheduling order (“Scheduling Order”).<sup>2</sup> In part, the Scheduling Order established testimony and intervention deadlines, and a hearing date.<sup>3</sup>

On May 21 and May 22, 2019, respectively, the Office of Consumer Services (OCS), and the Division of Public Utilities (DPU) filed direct testimony. No party sought to intervene.

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<sup>1</sup> DEU filed its general rate case on July 1, 2019. *See* Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications (Docket No. 19-057-02), available at: <https://psc.utah.gov/2019/01/07/docket-no-19-057-02/>.

<sup>2</sup> *See* Scheduling Order, Notice of Technical Conference, and Notice of Hearing (February 12, 2019).

<sup>3</sup> *See id.* at 1-2.

On June 27, 2019, DEU, the DPU, and the OCS (collectively, the “Parties”) filed a settlement stipulation purporting to resolve the issues pertaining to the Application (“Settlement Stipulation”, or “Stipulation”) and requesting PSC adoption thereof.

On August 14, 2019, the PSC held a hearing to consider whether to adopt the Stipulation. DEU and the DPU testified in support of the Stipulation, and counsel for the OCS stated support of the Settlement Stipulation. The Parties testified to, or otherwise agreed, the Stipulation is just and reasonable, and in the public interest. No other party appeared at the hearing, and no objection was raised to the PSC adopting the settlement as just and reasonable in result.

**THE APPLICATION AND SETTLEMENT STIPULATION**

The Application includes a depreciation study based on 2017 accounting data (“2017 Depreciation Study”).<sup>4</sup> DEU states that the impact of using the proposed rates results in an annual depreciation accrual amount equal to \$83.9 million,<sup>5</sup> adjusting for \$8.6 million in reserve variance amortization,<sup>6</sup> yields a proposed \$9.1 million increase in the current annual depreciation accrual.<sup>7</sup> DEU asserts the incremental increase is mostly attributable to changes in depreciation expense involving mains, service lines, and transponders groups of its depreciable gas plant.<sup>8</sup>

The Settlement Stipulation proposes to resolve DEU’s Application. Provisions central to resolving this docket are contained in Stipulation paragraphs 9-14. In sum, the Parties stipulate to

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<sup>4</sup> DEU retained third-party Gannett Fleming Valuation and Rate Consultants, LLC to perform the 2017 Depreciation Study. The 2017 Depreciation Study is filed as DEU Exhibit 1.2 to the Application.

<sup>5</sup> DEU’s Application Exhibit 1.3, column 14, line 85.

<sup>6</sup> See *id.* at column 8, line 85.

<sup>7</sup> See *id.* at column 15, line 85.

<sup>8</sup> See Exhibit 1.0, Direct Testimony of Jordan K. Stephenson for Dominion Energy at 2-3, lines 54-61.

the adjusted decrements to DEU's proposed estimates, and the associated impacts on the results of the 2017 Depreciation Study as shown in Settlement Stipulation Exhibit 1. The Parties further agree that the stipulated depreciation rates will be included in DEU's 2019 rate case filed in Docket No. 19-057-02<sup>9</sup> and that the depreciation rates will become effective on the date ordered in that docket.<sup>10</sup> In aggregate, the Stipulation reduces DEU's proposed depreciation expense by \$7.6 million, from \$83.9 million to \$76.3 million.<sup>11</sup>

At hearing, DEU and the DPU testified the proposed depreciation rates, including the adjustments presented in the Stipulation, are just, reasonable, and in the public interest. The DPU also testified the Stipulation is just and reasonable in result. Counsel for the OCS stated its support of the Stipulation and added that the Stipulation is just and reasonable in result, and in the public interest.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Settlements of matters before the PSC are encouraged at any stage of a proceeding.<sup>12</sup> In considering whether to adopt a settlement proposal, we must find that the settlement, as a whole, is just and reasonable in result and that the record evidence supports this finding.<sup>13</sup>

The record evidence in this docket is uncontested. The Parties agree in paragraph 15 of the Stipulation "that settlement . . . is in the public interest and that the results are just and reasonable." Consistent with paragraph 18, DEU and the DPU testified at hearing in support of

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<sup>9</sup> See *supra* n.1.

<sup>10</sup> The stipulated depreciation rates are shown on pages VI-6 and VI-7, column 10 of Settlement Exhibit 2.

<sup>11</sup> See, *generally*, Settlement Exhibit 1 (summarizing the adjustments and the associated impacts on DEU's proposed depreciation rates).

<sup>12</sup> See Utah Code Ann. § 54-7-1(3)(a).

<sup>13</sup> See Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

the Stipulation, and counsel for the OCS stated support of the Settlement Stipulation. No other party intervened or appeared at the hearing, and no objection was raised to the PSC adopting the settlement as just and reasonable in result.

Based on the record evidence before us in this docket, and the absence of opposition to our adoption of the settlement as proposed, we find the Settlement Stipulation is just and reasonable in result and the record supports this finding.

**ORDER**

We approve the Settlement Stipulation as filed.

DATED at Salt Lake City, Utah, August 21, 2019.

/s/ Melanie A. Reif  
Presiding Officer

Approved and confirmed August 21, 2019, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#309737

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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 August 21, 2019, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

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Administrative Assistant