

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Dominion Energy Utah to Account for the Excess Deferred Income Tax Amortization between January 2019 – March 2020	<u>DOCKET NO. 20-057-06</u>
	<u>ORDER</u>

ISSUED: May 29, 2020

SYNOPSIS

The Public Service Commission (PSC) approves Dominion Energy Utah’s (DEU) Application to extend and update the Tax Reform Surcredit 3¹ resulting in a decrease of approximately \$2.56 per year, or 0.39 percent, for a typical residential customer using 80 Dth of natural gas per year.

BACKGROUND

On May 1, 2020, DEU filed an application and supporting exhibits with the PSC requesting approval to update and extend the Tax Reform Surcredit 3 until May 31, 2021 (“Application”), consistent with the PSC’s February 25, 2020 Report and Order in Docket No. 19-057-02 (“2019 General Rate Case (GRC) Order”).² The Application includes proposed modifications to DEU’s Utah Natural Gas Tariff PSCU No. 500 (“Tariff”) Sections 2.02, 2.03, 2.04, 4.02, 5.02, 5.03, and 5.04, as shown on Tariff Pages 2-2 through 2-6, 4-3, 4-4, and 5-6 through 5-11. DEU requests an effective date for its proposed changes of June 1, 2020.

On May 11, 2020, the PSC issued a scheduling order and notice of telephonic hearing. On May 18, 2020, the Division of Public Utilities (DPU) filed comments. On May 26, 2020, the

¹ The Tax Reform Surcredit 3, comprised of the 2018 excess deferred income tax (EDIT) amortization, is a component of DEU’s distribution non-gas (DNG) rates and was initially approved by the PSC in Docket No. 17-057-26, *Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: “An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018”* (Order Approving April 23, 2019 Settlement Stipulation dated May 9, 2019). The Tax Reform Surcredit 3 initially went into effect June 1, 2018, and passed through to customers the benefits of the direct reduction in tax expense associated with the decrease in corporate income tax rates.

² *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications* (Report and Order dated February 25, 2020 at 24-25); Docket No. 19-057-02.

PSC's designated Presiding Officer conducted a hearing to consider the Application; the PSC heard from DEU and DPU, represented by their respective counsel. The Application and supporting evidence are uncontested, and briefly summarized below.

The Application

The 2019 GRC Order approved the extension of the Tax Reform Surcredit 3 by 12 months, from May 31, 2020 to May 31, 2021, and a refund to customers of approximately \$3.6 million, as set forth in the Application. But for the PSC's approval set forth in its 2019 GRC Order, the Tax Reform Surcredit 3 was set to expire on May 31, 2020.

According to DEU, the \$3.6 million refund reflects \$4,698,447 for the amortization of the protected plant-related EDIT for the period January 1, 2019 through March 1, 2020, less an adjustment of \$1,097,748 for an over-amortization of the 2018 amount.³ DEU states the EDIT amortization to occur after March 1, 2020 has been included in the base DNG rates approved in the 2019 GRC; thus, following this extension of the Tax Reform Surcredit 3, no additional extension will be necessary. During the hearing, and in order to equitably address the difference between the planned Tax Reform Surcredit 3 amount and the actual amount amortized to customers through May 31, 2021, DEU proposed to reconcile any remaining Tax Reform Surcredit 3 balance after the final entry of the surcredit is made as part of DEU's first Infrastructure Rate Adjustment filing in the Fall 2021 ("True-up Proposal").

DEU Exhibits 1.2 and 1.3, respectively, show the allocation to customer classes of the Tax Reform Surcredit 3 refund, and the associated customer class rate designs. The Application

³ See DEU Exhibit 1.1.

states extension of the Tax Reform Surcredit 3 will result in a decrease of \$2.56 per year (or 0.39 percent) on a typical DEU residential customer's annualized bill.⁴ DEU testifies the Tax Reform Surcredit 3 proposal is just, reasonable, and in the public interest.

DPU Supports the Tax Reform Surcredit 3 Extension and Refund

DPU recommends the PSC approve DEU's proposed modifications to Tariff Sections 2.02, 2.03, 2.04, 4.02, 5.02, 5.03, and 5.04 reflecting the adjustment to the Tax Reform Surcredit 3 in order to properly refund the protected plant EDIT incurred from January 1, 2018 to March 1, 2020 to ratepayers. DPU states it reviewed the EDIT calculations, and that it spoke with DEU employees regarding the calculations and methods used in the Application and in the 2019 GRC docket, and also regarding the True-up Proposal DEU presented at hearing. Based on its investigation, DPU believes the proposed Tariff modifications are just, reasonable, and in the public interest. DPU stated DEU's True-up Proposal is consistent with true-up methods in other similar dockets.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based on DEU's Application and Exhibits, DPU's comments and recommendation, the testimony and evidence presented at the hearing, and there being no opposition, we find the rates proposed in Docket No. 20-057-06 reflect our directives in the 2019 GRC Order. Further, based on the same, we find and conclude the Tax Reform Surcredit 3 rates are just, reasonable, and in the public interest and therefore we approve them. We also conclude DEU's True-up Proposal is reasonable.

⁴ See DEU Exhibit 1.4.

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ORDER

Therefore, we approve:

- 1) the Application;
- 2) the modifications to Tariff Pages 2-2 through 2-6, 4-3, 4-4, and 5-6 through 5-11 as filed, effective June 1, 2020; and
- 3) DEU's Surcredit 3 True-up Proposal.

DATED at Salt Lake City, Utah, May 29, 2020.

/s/ Yvonne R. Hogle
Presiding Officer

Approved and confirmed May 29, 2020, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#314034

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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 May 29, 2020, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Email:

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