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Department of Commerce Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: March 11, 2020

Re: **Docket No. 20-057-T02**, In the Matter of the Annual Calculation of the Third-Party Billing Rate and Request for Tariff Change.

Recommendation (Approval)

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

Background

On June 1, 2017, the Gas Utility 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." On February 25, 2020, the Gas Utility 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 11, 2020. Additionally, on February 26, 2020, the Commission issued a notice of Filing and Comment Period with

comments due on or before the same date the Division's Action Request Response is due. This memorandum is the Division's response to the Action Request and its comments.

Discussion

Exhibit 1.1 of this application shows the calculations of certain billing costs the Gas Utility and the proposed charge for providing third party billing services. The Division has reviewed the calculations.

The Division also compared the filed docket No.19-057-T03, with Exhibit 1.1 in this filing. The Division notes that most of the costs have increased slightly as was expected. The changes for the new billing rate calculations are:

- In Printer
 - Labor & Labor Overhead and Maintenance costs have increased.
 - Billing Paper Costs have decreased.
 - The Total mailings number have decreased.
 - Supplies and Depreciation have remained constant.
- In Inserter
 - Labor & Labor Overhead costs have increased.
 - Maintenance, Outside envelope and Inside envelope costs have decreased.
 - Supplies costs remained constant.
- Postage costs remained the same per mailing.
- Return on Investment went down slightly based on a lower Pre-tax rate of Return (24.68% vs 24.45%).
- In Overhead
 - General & Administrative increased.

Related to customer billing above, the total number of paper billing mailings to customers continues to decrease. It is interesting that this year's decrease is about three times the amount in 2018 (116,306 fewer in 2018 vs 347,086 fewer in 2019). Perhaps fewer customers are having the Company send paper bills to their homes. This trend could proportionally increase the fixed costs of sending out bills and thus the Third-Party Billing rate.

Exhibit 1.02A is the proposed tariff sheets in legislative format and Exhibit 1.02B is the proposed tariff sheets. The exhibit numbers are accurate and are the only substantial changes to the proposed tariff sheet.

The rate for the first 11 lines is currently \$0.16414, and the proposed requested rate is an increase to \$0.16531. For each additional line above 11 lines the current rate is \$0.01494 and

would increase to \$0.01503. The proposed change would increase the total minimum cost per piece from the current rate of \$0.052227 to \$0.052599.

Conclusion

In reviewing the application, the Division's objective is to ensure that the stated costs and benefits of third-party billing foist no burden, financial risk, or other costs onto ratepayers. Not detecting issues in this filing, and given the cost moves in the direction we anticipated, the Division recommends the Commission approve the updated tariff sheets filed with this memo and make them effective April 1, 2020.

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