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

Russ Cazier, Utility Analyst

Date: January 18, 2022

Re: **Docket No. 21-057-30,** Application of Dominion Energy Utah to Change the Rural Expansion Rate Adjustment Tracker.

Recommendation (Approval)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) authorize the proposed new rates as requested by Dominion Energy Utah (Dominion) with an effective date of February 1, 2022. The Division recommends that these requested rate changes be approved on an interim basis to allow additional time for the Division to complete an audit of the respective "Rural Expansion Rate Adjustment Tracker" otherwise called the Rural Expansion Tracking Mechanism (RETM).

Issue

Dominion is seeking to collect $2.459 million by implementing the previously approved recovery method for this type of investment. This is the first filing for recovery under its rural infrastructure investment as authorized in Docket No. 19-057-31. The proposed change will increase the rates for the Distribution Non-Gas (DNG) portions of its Utah GS, FS, IS, TSF and TSI, TBF, MT, and NGV natural gas rate schedules, as contained in section 9.02 of its Tariff. Dominion proposes to implement these changes by charging the new rates effective February 1, 2022. The new rates for each effected rate class are specified in Dominion's filing, Exhibit 1.5.

Background

On November 21, 2019, Dominion submitted a notice of its intent to file "a voluntary request for approval of a resource decision under Utah Code Ann. § 54- 17-401 et seq. ("Voluntary Resource Decision Act"), to expand its natural gas distribution system to the rural community of Eureka, Utah". On December 3, 2019, Dominion filed its application, testimony, and exhibits. The Division, Office of Consumer Services (Office) filed testimony and other parties intervened during the proceeding. On August 27, 2020, the case was completed, and the Commission issued its order. In that order, the Commission approved the "Eureka Rural Expansion Project, for the total projected costs stated in our Order,". It also approved the use and operation of the proposed RETM, "which will operate as described in DEU's Amended Application". It also granted a Certificate of Public Convenience and Necessity (CPCN) and required documentation "showing that it has obtained any consent, franchise agreement, or any other permit required by the city of Eureka, or any other local governmental entity having jurisdiction over the project". Some supporting documents were filed on November 17, 2020 and more were filed on January 10, 2022.

On December 27, 2021, Dominion filed the current application to implement the RETM and recover its revenue requirement associated with the rural expansion project identified above. On that same day, the Commission issued its Action Request directing the Division to review the application and make recommendations on or before January 26, 2022. On December 29, 2021, the Commission issued a notice of a Scheduling Conference in this docket held on January 5, 2022. As a result of that scheduling conference, the dates of the Division's Action Request Response and its initial comments became due on January 18, 2022, with reply comments due

January 21, 2022, and the hearing in this matter is scheduled to be held on January 25, 2022. This is the Division's Action Request Response, recommendation, and comments.

Discussion

In this filing, Dominion provides the amounts and dates when specific rural expansion infrastructure investment was completed and placed into service. The proposal represents a total revenue requirement of $2.459 million based on an investment of $20.887 million. Dominion now proposes to collect in rates the revenue requirement associated with this rural investment.

The total Commission approved budget amount is confidential but there remains roughly $0.5 million left before Dominion is required to seek Commission approval before spending more. The Division expects the Eureka project to still be completed under budget as the remaining work is not the expensive part of the project.

The Commission's order quoted Dominion testimony that "DEU states that when it completes construction of the project, it will file an application requesting rate recovery of the investment".[1] The Division asked Dominion if the project was complete as it appears to be the determining factor in when Dominion will ask for rate recovery. It should be clearly understood that the Eureka expansion project is not complete. However, a major part of the Eureka investment has been completed and gas is flowing to the community. Although it may be technically permitted to do so, withholding cost recovery based on Dominion's construction crews still being in the area is not equitable to Dominion. Likewise, the Division has no doubt that Dominion will complete the project and connect as many customers as possible in and around Eureka. Also, the way the RETM is explained in the tariff, customers have two years to decide if they want to sign an agreement for service and another two years to start to take the gas service. After all those connections were made and gas flowing to these customers, that would effectually be the time when the project would be called finished. After that date any investment into this project will be considered regular service work of the utility and properly be categorized as such. Finally, there would be no point to the RETM if it potentially took four years before the utility could recover these costs as general rate cases occur every three years for this utility. Therefore, rate recovery should be allowed before the completion of all its construction in Eureka and this rural expansion is considered finished.

The test year for this application is the 12 months ending January 31, 2023, and as part of the current filing, Dominion included the following exhibits:

1. Exhibit 1.1, shows Dominion's cumulative investment in main lines closed and in service as of November 2021, for the RETM project.
2. Exhibit 1.2 provides similar information as Exhibit 1.1 but addresses only service lines.
3. Exhibit 1.3 shows the calculation of the revenue requirement requested.
4. Exhibit 1.4 shows the proposed Cost of Service Allocation to the rate classes listed above.
5. Exhibit 1.5 shows how this proposed revenue requirement amount will be divided using the demand charge and volumetric rates to collect the proper amount from each customer class.
6. Exhibit 1.6 shows the monthly change to a typical GS customer which translates to annual increase of $1.73 or 0.22%.
7. Exhibit 1.7A shows the proposed tariff sheets in legislative format for these rate classes.
8. Exhibit 1.7B shows the proposed tariff sheets in final format.

Conclusion

This application complies with the Dominion tariff and the Commission's order. Additionally, the proposed tariff sheets accurately reflect the proposed changes filed by Dominion. However, the Division recommends that these requested rate changes be approved on an interim basis to allow additional time for the Division to complete an audit of the RETM program thus far. Interim rate recovery is prudent because a project as complex as the RETM requires a deeper level of oversight and review. The Division recommends the Commission approve the proposed rates on an interim basis until the Division can complete its review audit, at which time it will make a final recommendation to the Commission.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services