

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Dominion Energy Utah to Change the Rural Expansion Rate Adjustment Tracker	<u>DOCKET NO. 21-057-30</u> <u>ORDER</u>
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ISSUED: January 28, 2022

SYNOPSIS

The Public Service Commission (PSC) approves the Application of Dominion Energy Utah (DEU) to Change the Rural Expansion Rate Adjustment Tracker (“Application”) on an interim basis, subject to audit, effective February 1, 2022. Our approval results in an average net increase of \$0.144 or 0.22 percent to the monthly bill of a typical GS residential customer using 80 decatherms (Dth) of natural gas per year.

PROCEDURAL BACKGROUND

DEU filed the Application on December 27, 2021 proposing a rate change and modifications to DEU’s PSCU Tariff No. 500, effective February 1, 2022.

On January 5, 2022, the PSC held a virtual scheduling conference for the Application and issued a Scheduling Order and Notice of Virtual Hearing January 6, 2022.

On January 18, 2022, the Division of Public Utilities (DPU) filed comments and recommendations (“DPU Comments”) regarding the Application and no other party petitioned to intervene or filed comments.

On January 25, 2022, the PSC held a virtual hearing in the Docket to consider the Application during which DEU and DPU provided testimony.

FACTUAL BACKGROUND

In its Application, DEU proposes to recover its costs from its GS, FS, IS, TSF and TSI, TBF, MT, and NGV rate schedules through its Rural Expansion Rate Adjustment Tracker (“Rural Expansion Tracker”), approved in Docket No. 19-057-31. Specifically, DEU proposes to

allocate its proposed incremental revenue requirement to each rate class based on the PSC-approved total pro rata share of Distribution Non-Gas tariff revenue ordered in the most recent general rate case.¹

The Rural Expansion Tracker allows DEU to track and recover, through incremental natural gas rate surcharges, costs directly associated with expanding natural gas service to currently unserved areas approved by the PSC. The PSC authorized the Rural Expansion Tracker in its August 27, 2020 Order in Docket No. 19-057-31 (“Eureka Order”), and stated “[w]e find and conclude that the [Rural Expansion Tracker] will be useful to keep track of and recover the actual costs of the Eureka Rural Expansion Project, as well as serve as a gauge for evaluating future rural gas infrastructure developments.”² The Eureka Order also states that the balance in the tracker will be reset to \$0 once new base rates are approved in DEU’s next general rate case.³

DEU represents in Exhibits 1.1 and 1.2 of the Application that approximately \$20.94 million in infrastructure investment was placed in service in November 2021. Exhibit 1.3 in the Application reflects an incremental revenue requirement of approximately \$2.46 million, which DEU estimates equals a total annual average increase of \$1.73 or 0.22 percent for a typical GS residential customer using 80 Dths per year.

In the Application, DEU also presents revised tariff sheets reflecting the proposed rate adjustments in several exhibits, illustrating its calculation of the requested incremental revenue requirement as follows:

¹ See Application at 2-3, ¶ 5.

² See Eureka Order, at 29, section C.

³ *Id.*, at 31.

Incremental Revenue Requirement Calculation⁴

	Total Revenue Requirement
1. Total Net Investment	\$20,936,023
2. Less: Amount currently in rates	\$0
3. Replacement Rural Expansion in Tracker	\$20,936,023
4. Less: Accumulated Depreciation	(\$303,395)
5. Accumulated Deferred Income Tax	(286,367)
6. Net Rate Base	\$20,346,262
7. Current PSC-Allowed Pre-Tax Rate of Return	8.9%
8. Allowed Pre-Tax Return	\$1,810,817
9. Plus: Net Depreciation Expense	\$404,526
10. Net Taxes Other Than Income	\$244,155
11. Total Revenue Requirement	\$2,459,499
12. Previous Revenue Requirement	\$0
13. Incremental Revenue Requirement	\$2,459,499

DPU Supports the Application, Subject to an Audit, and No Party Opposes the Application.

The DPU Comments support the Application and indicate that while the project is not complete, the PSC should allow DEU to recover costs related to the Eureka expansion project considering that (1) a major part of the project is complete and gas is flowing to Eureka, (2) the tariff language provides customers two years to sign an agreement with DEU, and another two years to start service, so the project may not be complete for four more years, and (3) DEU typically files a general rate case every three years so there would be no benefit of having the Rural Expansion Tracker as the costs associated with the Eureka expansion project would be included in base rates.

⁴ See Application, Exhibit 1.3.

DPU also states that the rates proposed in the Application comply with past PSC orders, and the proposed tariff sheets accurately reflect the proposed changes filed by DEU. DPU recommends the PSC approve them on an interim basis, effective February 1, 2022, subject to audit and review.⁵ DPU calculates and testifies that approval of the Application will result in an average increase to the annual bill of a typical GS residential customer of approximately \$1.73, or 0.22 percent.⁶ No party opposes the Application.

FINDINGS, CONCLUSION, AND ORDER

In the Application and at a hearing before the PSC, DEU offered sworn testimony and accompanying documentation that included detailed accountings of historical costs and revenues and cost and revenue projections, and a detailed calculation model and supporting explanations describing the costs it seeks to recover, the rates it seeks to implement, and its methods of allocating costs and revenues to rate classes. DPU conducted a preliminary review of the Application including an analysis of DEU's proposals and supporting documentation.⁷ At hearing, DPU testified that the rates proposed in the Application comply with PSC orders and accurately reflect the proposed changes filed by DEU, and recommends that we approve them on an interim basis.⁸ DPU also testified that it is noteworthy that the Eureka expansion project is both nearing its budget limit and is not yet fully complete, but that neither fact is a concern to DPU.⁹ No party offered evidence opposing the Application, DEU's testimony, or DPU's testimony and recommendation.

⁵ DPU Comments, at 4.

⁶ DPU Comments, at 4 and Virtual Hearing, 8:07–8:14.

⁷ DPU Comments.

⁸ Virtual Hearing, 8:38–8:54.

⁹ Virtual Hearing, 8:25-8:36.

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We find substantial evidence supports our finding that DEU incurred the costs it now seeks to recover related to the Eureka rural expansion project, consistent with the Voluntary Resource Decision Act, Utah Code Ann. § 54-17-403.¹⁰ We also find that the related requested rate changes in the Application are more likely to reflect DEU's actual costs than current base rates. We further find that the associated incremental revenue requirement is under the authorized Rural Expansion Tracker Spending Cap and therefore qualifies for rate recovery.¹¹ Accordingly, we conclude that the rate changes proposed by DEU in the Application are just and reasonable, and in the public interest. DPU recommends that we approve the proposed rates on an interim basis, subject to the final audit that it has not yet conducted. We approve the proposed rates on an interim basis to ensure that the rates may be "trued-up" after DPU completes its final audit, such that DEU recovers no more or less from customers than the costs it actually incurs.

ORDER

Therefore, we order that the rates proposed in this Docket are approved on an interim basis, effective February 1, 2022, pending the results of DPU's forthcoming audit.

DATED at Salt Lake City, Utah, January 28, 2022.

/s/ Yvonne R. Hogle
Presiding Officer

¹⁰ See Exhibits 1.1 and 1.2 of the Application.

¹¹ See Eureka Order at 22, and Section 3.B. Spending Caps are outlined in Utah Code Ann. § 54-17-403(c). The DNG revenue requirement approved in DEU's last general rate case is \$391,436,970, and two percent of that amount is \$7,828,739. See also, Eureka Order, at 28.

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Approved and confirmed January 28, 2022, as the Order of the Public Service
Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#322104

CERTIFICATE OF SERVICE

I CERTIFY that on January 28, 2022, a true and correct copy of the foregoing was served upon the following as indicated below:

By Email:

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/s/ Melissa Paschal _____
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