

IN THE MATTER OF THE  
APPLICATION OF DOMINION  
ENERGY UTAH TO INCREASE  
DISTRIBUTION RATES AND  
CHARGES AND MAKE TARIFF  
MODIFICATIONS

Docket No. 22-057-03

VERIFIED  
APPLICATION

All communications with respect to  
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VERIFIED APPLICATION  
AND  
EXHIBITS

May 2, 2022

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	Docket No. 22-057-03  VERIFIED APPLICATION
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Pursuant to Utah Code Ann. §§ 54-4-4 (2020) and 54-7-12 (2020) and Utah Admin. Code R746-1-101, *et seq.* (2020), and R746-700-1, *et seq.* (2020), Questar Gas Company dba Dominion Energy Utah (“Dominion Energy” or the “Company”) respectfully applies for an order authorizing a total revenue requirement of \$503.9 million with a rate-effective date of January 1, 2023, and a revenue deficiency of \$70.5 million to be collected through the proposed rate changes set forth below and in the direct testimony supporting this Application. This revenue deficiency is the result of the increased costs of supplying utility service in Utah that will not be covered under currently-authorized rates, as well as necessary capital expenditures incurred by the Company since its last rate case. The capital

investments are associated with the Company's ongoing critical need for maintaining, upgrading, and replacing aging infrastructure; the costs of serving an increasing number of new customers; and the costs associated with the construction of a Liquefied Natural Gas facility in Magna Utah ("LNG Facility"). These costs, together with other increases in the expenses necessary to provide natural gas service to the Company's customers, have resulted in rates that will no longer be just and reasonable.

Further, the Company requests that the Utah Public Service Commission ("Commission"), authorize the implementation of new rates and the new rate design proposed in this Application and the pre-filed direct testimony consistent with Utah Code Ann. §§ 54-4-4 and 54-7-12 (2020) effective January 1, 2023.

The Company also requests that the Commission approve the changes to the Company's Utah Natural Gas Tariff No. 500 ("Tariff") proposed in this Application and the attached pre-filed direct testimony.

In addition, the Company respectfully requests that the Commission approve the continuation of the Infrastructure Replacement Adjustment Tracker ("Tracker").

These requests are supported by this Application and the other supporting evidence discussed below.

## **I. PRELIMINARY MATTERS**

### ***A. Dominion Energy Operations***

Dominion Energy is a corporation organized and existing under the laws of the state of Utah, with its principal business office located at 333 South State Street, Salt Lake City, Utah. The Company is engaged in the business of providing natural gas as a local distribution company. Dominion Energy currently distributes natural gas to approximately 1,120,000 customers throughout the state of Utah and in Franklin County, Idaho subject to

the ratemaking jurisdiction of the Commission. In addition, the Company distributes gas to communities and rural areas in southwest Wyoming under the jurisdiction of the Wyoming Public Service Commission.

***B. Articles of Incorporation; Tariff***

A copy of Dominion Energy’s Articles of Incorporation is on file with the Commission. The Company’s present rates, charges, and general conditions for natural gas service in Utah are regulated by the Commission and are set forth in Dominion Energy’s Tariff, which is also on file with the Commission. Rates and the Tariff changes proposed by this Application will be published as revisions to the Company’s Utah Natural Gas Tariff No. 600 upon Commission approval and will supersede the current rates and Tariff provisions.

**II. APPLICATION FOR AN INCREASE IN DISTRIBUTION NON-GAS RATES AND CHARGES FOR NATURAL GAS SERVICE**

***A. Current Rate Structure***

Dominion Energy’s current rates are divided into three components: (1) distribution non-gas (“DNG”) rates, which relate to costs incurred by the Company in providing service to its retail customers, exclusive of the costs of gas supplies and transporting that gas to Dominion Energy’s system, (2) supplier non-gas (“SNG”) rates, which reflect the costs of transporting natural gas from natural gas fields to various city gates on the Company’s system, and (3) commodity costs associated with acquiring gas supplies, including gas purchases, the Wexpro operator service fee for the production of Company-owned gas supplies, and other gas-supply related expenses.

The rate relief requested in this Application is limited to the DNG–cost portion of the Company’s rates. The SNG and commodity rates are considered in separate

pass-through proceedings in accordance with the Company's Tariff and the rules and procedures of the Commission. The DNG rates collect approximately 43% of Dominion Energy's total revenue, while SNG and commodity rates make up the remaining 57% of revenue.

***B. Previous Rate Proceeding Establishing DNG Rates***

The Company's current DNG rates reflect the Commission's Report and Order in Docket No. 19-057-02, as adjusted by the Commission-approved Conservation Enabling Tariff amortizations, Demand-Side Management amortizations, Energy Assistance charges, Infrastructure Rate Adjustment Surcharges, Rural Expansion Surcharges, Tax Reform Surcredits and the Sustainable Transportation Energy Surcharge.

***C. Necessity for Relief***

The Company's present rates and charges authorized by the Commission no longer provide the Company the opportunity to recover the costs of providing natural gas service while earning a reasonable rate of return on its investment in the rate base necessary to provide that service. Therefore, these rates are no longer "just and reasonable" as required by Utah Code Ann. § 54-3-1 (2020), and do not meet the standards enunciated by the United States and Utah Supreme Courts. Based upon the test period as set forth in the testimony in this case, absent any rate relief the Company will earn only 6.41% on equity invested.

***D. Basis for Determination of Rate Relief***

The proposed test period ending December 31, 2023 includes the revenues, expenses, and plant that best reflect the conditions the Company will encounter during the rate-effective period. As set forth more fully in the direct testimony submitted with this

Application, Dominion Energy examined all of its operations and associated costs, revenues, and plant. It also considered and projected all the material changes the Company knows or reasonably expects to occur during 2023. The Company has included adjustments that reduce the Company's revenue requirement as well as those that increase it. These forecasted results were then modified for regulatory adjustments consistent with past Commission orders and practice to arrive at the revenue requirement projected for the proposed test period.

***E. Factors Contributing to Revenue Deficiency***

The primary drivers giving rise to the proposed rate increase are (1) the Company's ongoing capital investment requirements; (2) the costs of constructing the LNG facility; and (3) increases in both labor and non-labor O&M expenses caused by inflation and other factors. Dominion Energy's required capital expenditures are significantly increasing. Including the 2022 and 2023 investments, the Company will have increased the 2023 gross plant balance by approximately \$705.2 million from the 2020 test period level in the last rate case for capital projects that are necessary to maintain a safe, reliable system.

In addition, as discussed in the pre-filed direct testimony of Kelly B Mendenhall, DEU Confidential Exhibit 1.0, the Company will complete the LNG Facility and place it into service in the fall of 2022. The Commission approved Dominion Energy's resource decision to construct the LNG Facility in Docket No. 19-057-13 at a cost of \$210,157,307. However, due to unforeseeable increases associated with the COVID-19 Pandemic, final costs for the LNG Facility are expected to be \$218.6 million.

Finally, since 2020, the Company has seen significant increases in many of its labor and non-labor O&M expense categories, consistent with the inflation seen throughout the

market. DNG rates need to be adjusted to account for these increases and to accurately reflect the expected conditions that will exist during the rate-effective period.

All of these increases in costs have contributed to the revenue deficiency the Company is seeking to address through this proceeding.

#### ***F. Rate of Return***

Consistent with applicable law, for Dominion Energy to meet its public-service obligation to Utah customers, the Company must be given a reasonable opportunity to earn a rate of return on equity (“ROE”) commensurate with returns realized by investors on investments with similar risks in the capital markets. As established in the Direct Testimony of Jennifer Nelson, attached to this Application as DEU Exhibit 2.0, the Company’s rates should be based on an authorized ROE of 10.3 percent. An ROE set at this level is appropriate to maintain the long-term financial integrity of the Company’s utility operations and provide a fair return on shareholder investment.

Dominion Energy’s requested ROE is fair and adequate in today’s financial marketplace, particularly given the uncertainty, volatility, and inflationary factors present and expected in the market, and falls within the range of reasonable ROEs of a proxy group of companies comparable to Dominion Energy, as measured using the Constant Growth Discounted Cash Flow model, Quarterly Growth DCF model, the Capital Asset Pricing Model, and the Bond Yield Plus Risk Premium approach. Dominion Energy’s requested ROE is at the level required by investors to attract the capital necessary for critical investment in plant and for natural gas operation.

***G. Summary of Test-Period Deficiency and Rate Impact***

**i. Test-Period Deficiency.**

The factors discussed above contribute to a revenue deficiency in the Company's Utah operations. To compensate for that deficiency, Dominion Energy will need to increase rates to collect an additional \$70.5 million in annual revenues for its Utah operations as described in the Direct Testimony of Jordan K. Stephenson, attached to this Application as DEU Exhibit 3.0. When comparing the projected volumetric revenues with the revenue requirement, the deficiency is increased to \$79.3 million.

**ii. Cost-of-Service and Rate Design.**

Dominion Energy requests that the revenue requirement be spread among customer classes in accordance with the cost-of-service studies and rate design described in the Direct Testimony of Austin C. Summers, attached to this Application as DEU Exhibit 4.0.

As discussed in Mr. Summers' testimony, the Commission required parties in Docket No. 19-057-02 to participate in a Cost of Service and Rate Design Task Force ("Task Force") to examine the Company's rate design. The Commission opened Docket No. 20-057-11 for that purpose. The Task Force met and examined a variety of approaches to rate design for the Company's transportation rate classes to address identified intra-class subsidization issues. As a result of the analysis conducted by the Task Force, the Company proposes to split the transportation class into three smaller classes: the transportation service small, transportation service medium, and transportation service large classes.



**iii. Financial Impact.**

The effect of the proposed rate increase on the typical GS customer who uses 70 Dth per year will be an increase of approximately \$39.86 per year. This is an overall increase to a typical customer's bill of approximately 5.69%.

**III. INFRASTRUCTURE RATE-ADJUSTMENT TRACKER**

Dominion Energy is requesting that the Commission approve continuation of the Tracker, as more fully set forth in the pre-filed direct testimony of Kelly B Mendenhall, attached hereto as DEU Confidential Exhibit 1.0.

**IV. TARIFF CHANGES**

Dominion Energy requests that the tariff changes described in the Direct Testimony of Jessica Ipson, attached as DEU Exhibit 5.0, and shown on DEU Exhibit 5.02, be approved.

**V. COMPLETE FILING**

In accordance with Utah Admin. Code R746-700-1 *et seq.*, Dominion Energy has provided all information, evidence and data necessary to constitute a complete filing of a general rate case. DEU Appendix 1 to this Application provides a list of the categories of information required by Utah Admin. Code R746-700-1 *et seq.*, and a reference to where the required information can be found within the Application and the supporting testimony.

**VI. SUPPORTING EVIDENCE**

The following exhibits are attached in support of this Application and, by this reference, are incorporated herein: the sworn testimony of Kelly B Mendenhall, with

associated exhibits (DEU Exhibits 1.0 to 1.07), Jennifer Nelson (DEU Exhibits 2.0 to 2.09), Jordan K. Stephenson (DEU Exhibits 3.0 to 3.34), Austin C. Summers (DEU Exhibits 4.0 to 4.20), and Jessica L. Ipson (DEU Exhibits 5.0 to 5.04) and additional information provided in compliance with Utah Admin. Code R746-700-1 *et seq.* (DEU Appendix 1).

## **VII. RELIEF REQUESTED**

WHEREFORE, Dominion Energy Company respectfully requests that the Commission:

A. Schedule a time and place for hearing on this Application and give appropriate notice in accordance with Utah law;

B. Authorize an increase in rates and charges that will satisfy a total revenue requirement of \$503.9 million, as described in this Application;

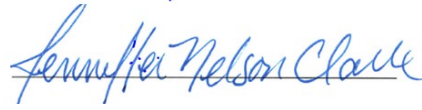
C. Authorize the implementation of new rates and Tariff changes consistent with Utah Code Ann. §§ 54-4-4 and 54-7-12 (2020) effective January 1, 2023;

D. Approve the continuance of the Infrastructure Rate-Adjustment; and

E. Approve the Tariff changes proposed in this Application and the attached pre-filed direct testimony.

RESPECTFULLY SUBMITTED this 2<sup>nd</sup> day of May, 2022.

DOMINION ENERGY UTAH



Jenniffer Nelson Clark  
Dominion Energy Utah


Cameron Sabin  
Mayer Brown LLP

Attorneys for Dominion Energy Utah

**VERIFICATION**

STATE OF UTAH            )  
                                      :  
COUNTY OF SALT LAKE )

Kelly B Mendenhall, being first duly sworn upon oath, deposes and states: He is the Director of Regulatory and Pricing, State Regulatory Affairs of Dominion Energy Utah; he has read the foregoing Application; and the statements made in the Application are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Kelly B Mendenhall

Subscribed and sworn to before me this 2nd day of May, 2022.



  
\_\_\_\_\_  
Notary Public

## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Verified Application was served upon the following persons by e-mail on May 2, 2022:

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/s/ Ginger Johnson