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UTAH 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

Brenda Salter, Assistant Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Matt Pernichele, Utility Analyst

Date: January 16, 2024

Re: **Docket No. 23-057-28** Application of Dominion Energy Utah to Change the Rural Expansion Rate Adjustment

Recommendation (No Approval)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) not approve Dominion Energy Utah's (Dominion) proposed new tariffs¹ ('23 Application) until:

- 1) Dominion can show that all the costs recorded in Exhibits 1.1 and 1.2² are part of projects that the Commission has approved as complying with Utah Code §54-17-4.
- 2) Dominion can show that all the costs recorded in Exhibits 1.1 and 1.2 are part of projects that are in service as defined by the Commission in its Order³ ('22 Order) in Docket No. 21-057-30.

¹ *Application of Dominion Energy to Change the Rural Expansion Rate Adjustment*, Docket No. 23-057-28, December 28, 2023. <https://pscdocs.utah.gov/gas/23docs/2305728/331522Aplctn12-28-2023.pdf>.

² *DEU Exhibit 1.1 – DEU Rural Expansion Mains Project Summary*, Docket No. 23-057-28, December 28, 2023.

<https://pscdocs.utah.gov/gas/23docs/2305728/331523DEUExhbt1.1DEURIExpnsnMnsPrjctSmry12-28-2023.pdf>.

DEU Exhibit 1.2 – DEU Rural Expansion Service Project Summary, Docket No. 23-057-28, December 28, 2023.

<https://pscdocs.utah.gov/gas/23docs/2305728/331524DEUExhbt1.2DEURIExpnsnSrvcsPrjctSmry12-28-2023.pdf>.

³ *Order*, Docket No. 21-057-30, January 28, 2022, p. 3.

<https://pscdocs.utah.gov/gas/21docs/2105730/3221042105730o1-28-2022.pdf>.

- 3) The Division can conduct an audit of the costs recorded in Exhibits 1.1 and 1.2.

Issue

Dominion seeks to add \$25,577,120 to the Rural Expansion Tracking Mechanism (RETM) established by a Commission order⁴ ('20 Order). This would allow Dominion to recover an additional \$2,992,125 per year from the RETM through the proposed tariff. To approve Dominion's proposed new tariff, the '23 Application must satisfy §54-17-4 and the criteria established by the Commission in its '22 Order⁵ approving the recovery of costs for Dominion's expansion to Eureka, Utah.

The '22 Order approved a Dominion proposed tariff revision⁶ ('21 Application) based on the new rural expansion rules because 1) the costs were actually incurred, 2) the proposed tariff more likely reflected Dominion's actual costs than the current one, and 3) the project had not exceeded the spending cap, (which was adjusted in the '22 Order). The '22 Order approved cost recovery even though the project was not yet fully complete because: 1) it was largely complete ("gas is flowing to Eureka"); 2) the tariff gave customers ample time (a total of 4 years) to sign up for service and it was unfair to force Dominion to wait that long for recovery; and 3) there was an imminent general rate case that substituted for an audit.⁷

Background

Utah passed a law in 2018 that allowed utilities to recover the costs of expanding natural gas service to underserved, rural areas to be collected from all of Dominion's customers through rates.⁸

Dominion's first project proposed under this rule was an expansion of natural gas service to Eureka, Utah (Eureka Project). Dominion filed an application⁹ ('19 Application) asking the

⁴ Order, Docket 19-057-31, August 27, 2020, p. 29.

<https://pscdocs.utah.gov/gas/19docs/1905731/3151591905731o8-27-2020.pdf>.

⁵ Order, January 28, 2022.

⁶ *Application of Dominion Energy Utah to Change the Rural Expansion Rate Adjustment Tracker*, Docket No. 21-057-30, December 27, 2021. <https://pscdocs.utah.gov/gas/21docs/2105730/321647Application12-27-2021.pdf>.

⁷ See Order, January 28, 2022, p. 3.

⁸ Utah Code Annotated §54-17-4.

⁹ *Application for Approval of a Natural Gas Infrastructure Development Project to Eureka, Utah*, Docket No. 19-057-31, December 3, 2019.

Commission to find the expansion in the public interest under §54-17-4, to issue a Certificate of Public Convenience and Necessity, and proposing the RETM as a balancing account to track the project costs so they can be recovered in rates. Any balances in the RETM are added to the rate base in a rate case. The Commission accepted these requests and imposed a budget cap on the Eureka Project in its '20 Order.¹⁰

Dominion then filed an additional application asking for approval to continue the Eureka expansion East to Goshen and Elberta, Utah (G&E Application).¹¹ The Commission issued an order¹² (G&E Order) approving a stipulation between Dominion, the Division, and the Utah Office of Consumer Services and imposed a spending cap on the project's cost. Some of the costs from the Goshen and Elberta expansion are included in Dominion's request in this docket.¹³

As discussed above, Dominion filed the '21 Application to recover its costs from the Eureka Project as it neared completion in 2021. The Commission approved Dominion's new tariff in the '22 Order.¹⁴

Dominion filed an application on August 5, 2021, to extend service to Green River, Utah (Green River Application).¹⁵ The Commission approved a settlement stipulation in an order¹⁶ (Green River Order) on January 19, 2022. The Commission approved an increase in project costs in a later order¹⁷ (Adjusting Green River Order) on June 12, 2023. Some costs

<https://pscdocs.utah.gov/gas/19docs/1905731/311292RdcteAplctnAprvlRralNtrlGasInfrDevPrjctExtSerEureka12-3-2019.pdf>.

¹⁰ See *Order*, August 7, 2020.

¹¹ Application for Approval of a Rural Natural Gas Infrastructure Development Project to Extend Service to Goshen and Elberta, Utah, Docket No. 21-057-06, April 5, 2021.

<https://pscdocs.utah.gov/gas/21docs/2105706/318075RdctdApplication4-5-2021.pdf>.

¹² *Order Approving Settlement Stipulation*, Docket No. 21-057-06, August 17, 2021.

<https://pscdocs.utah.gov/gas/21docs/2105706/3199892105706oass8-17-2021.pdf>.

¹³ See *DEU Exhibit 1.1*, December 28, 2023.

DEU Exhibit 1.2, December 28, 2023.

¹⁴ *Order*, January 28, 2022.

¹⁵ *Application for Approval of a Rural Natural Gas Infrastructure Development Project to Extend Service to Green River, Utah*, Docket No. 21-057-12, August 5, 2021.

<https://pscdocs.utah.gov/gas/23docs/2305713/331755StlmtStpltn1-9-2024.pdf>.

¹⁶ *Order Approving Settlement Stipulation*, Docket 21-057-12, January 19, 2022.

<https://pscdocs.utah.gov/gas/21docs/2105712/3219572105712oass1-19-2022.pdf>.

¹⁷ *Order*, Docket No. 21-057-12, June 12, 2023.

<https://pscdocs.utah.gov/gas/21docs/2105712/3283192105712o6-12-2023.pdf>.

from the Green River expansion project are included in Dominion's request in this docket.¹⁸

Dominion filed the '23 Application, the subject of this docket, and 8 exhibits on December 28, 2023. The Commission issued an Action Request to the Division on December 28, 2023. A scheduling conference was held on January 4, 2024. A Scheduling Order and Notice of Virtual Hearing was issued on January 9, 2024, setting a deadline for initial comments on January 16, 2024, a deadline for intervenors and reply comments on January 19, 2024, and a virtual hearing on January 22, 2024, at 9:00 AM.

Discussion

The Division's 2022 Action Request Response¹⁹ ('22 ARR) recommended that the Commission approve Dominion's '21 Application contingent upon the completion of an audit. The Division found Dominion's filing to be otherwise complete and sufficient. The Commission reached a similar conclusion and approved the '21 Application contingent upon an audit.²⁰ This audit never happened because Dominion filed a rate case for Utah²¹ shortly before the '22 ARR was filed, and the Division deemed the general rate case process as equivalent to an audit for the purpose of determining the accuracy of the '21 Application.

Even though the '23 Application and accompanying exhibits are similar in form to the '21 Application, the situation has changed in several ways that require it to be treated differently. There are now several rural projects being tracked within the RETM, authorized by different Commission orders, and at various levels of completion. The Division is unable to accurately match expense items listed in Dominion's exhibits with the projects approved by the Commission to ensure that all the projects are within budget. Some of the entries in the Project Description in Dominion's exhibits²² include location information, or what can be inferred to be location information, but this is incomplete and inconsistent.

¹⁸ See *DEU Exhibit 1.1*, December 28, 2023.

DEU Exhibit 1.2, December 28, 2023.

¹⁹ *Action Request Response*, Docket 21-057-30, January 18, 2022, p. 1.
<https://pscdocs.utah.gov/gas/21docs/2105730/321936DPUCmnts1-18-2022.pdf>.

²⁰ *Order*, January 28, 2022, p. 5.

²¹ *Notice of Intent to File a General Rate Case*, Docket No. 22-057-03, January 13, 2022.
<https://pscdocs.utah.gov/gas/22docs/2205703/321918NtclntntFIGnrIRtCs1-13-2022.pdf>.

²² See *DEU Exhibit 1.1*, December 28, 2023.

DEU Exhibit 1.2, December 28, 2023.

The Division also needs to know the approximate level of completion of each of the Commission-approved rural expansion projects to determine compliance with the Commission's completeness test.²³ The Division recommends that Dominion arrange its Exhibits 1.1 and 1.2 so that the expense items are identified by Commission approved project.

It is also possible that expense items that were not approved by the Commission for reimbursement through the RETM are included in this calculation.

Section 54-17-403(1)(c)(i) limits the rate increase from rural expansion projects to 2% over any three-year period. Section 54-17-403(1)(c)(ii) limits the total rate increase from rural expansion projects to 5% in aggregate. The rate increase approved in the '22 Order was 0.22%.²⁴ Dominion calculates that the rate increases proposed in this docket will amount to a 0.18% increase in rates.²⁵ So the RETM is well within the limits imposed by §54-17-403(1)(c).

Conclusion

The Division cannot recommend that Dominion be allowed to add \$25,577,120 to the RETM until the Division can ensure that: 1) the expenses are all part of rural expansion projects approved by the Commission; 2) these projects pass the completeness test outlined by the Commission; and 3) the expenses have been audited.

cc: Kelly B. Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services

²³ See *Order*, January 28, 2022, p. 3.

²⁴ *'22 Order*, January 28, 2022, p. 2.

²⁵ *'23 Application*, December 28, 2023, p. 3.