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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO CHANGE THE RURAL EXPANSION RATE ADJUSTMENT	Docket No. 23-057-28 DOMINION ENERGY UTAH'S REPLY COMMENTS
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Questar Gas Company dba Dominion Energy Utah (“Dominion Energy or Company”) respectfully submits these Reply Comments in response to the Memorandum issued by the Utah Division of Public Utilities (“Division”) on January 16, 2024 in the above-referenced docket (“Division’s Comments”).

BACKGROUND

On December 28, 2023, the Company filed an Application in this matter seeking approval of the Utah Public Service Commission (“Commission”) to modify the Rural Expansion Rate Adjustment Mechanism (“RETM”) to the Distribution Non-Gas (“DNG”) cost portions of its Utah customers. On January 9, 2024, the Commission issued the Scheduling Order and Notice of Virtual Hearing that provided that interested parties could file comments by January 16, 2024, and that reply comments would be due on January 19, 2024. On January

16, 2024, the Division filed its Comments recommending that the Commission deny the Company's Application based on its desire for additional information, and a misunderstanding of the Commission-approved process for advancing applications under Utah Code Ann. §54-17-401 *et seq.* and Section 9.02 of the Company's Utah Natural Gas Tariff No. 600 ("Tariff"). The Division chose to address its questions and concerns in its Comments rather than through discovery and discussion with the Company.¹ After reading the Division's Comments, the Company provided the information attached hereto as DEU exhibits 1.1R and 1.2R, which are incorporated by this reference, to the Division in order to address the identified concerns. These Reply Comments include that same information and further address the issues raised by the Division. Based on the information provided here, and in the Application, the Company requests that the Commission approve the rates reflected in the Application on an interim basis, effective February 1, 2024.

DISCUSSION

The Division's Comments propose that the Company meet three conditions before the Commission approve the Application. Those conditions are:

- 1) Show that all the costs recorded in DEU Exhibits 1.1 and 1.2 are part of the projects that the Commission has approved as complying with Utah Code §54-17-4.
- 2) Show that all the costs recorded in DEU Exhibits 1.1 and 1.2 are part of the projects that are in service as defined by the Commission in Docket No. 21-057-30.

¹ Going forward, the Company encourages the Division to reach out with questions and concerns using the discovery process so that the Company can help resolve issues before the Division's comments are filed.

3) Division conducts an audit of the costs recorded in DEU Exhibits 1.1 and 1.2.

Division's Comments at pp.1-2.

The Company will address each of these recommendations individually below.

A. All Costs Recorded in DEU Exhibits 1.1 and 1.2 are Parts of Commission-Approved Projects

The Company indicated in its Verified Application that “DEU Exhibit 1.1 shows the total amount of main line closed to investment and in service in November 2023 *for each of the Rural Expansion projects.*” Verified Application at ¶ 4 (emphasis added). It further indicated that “DEU Exhibit 1.2 shows similar information . . . except it includes service lines instead of main lines.” *Id.* Moreover, as discussed in greater detail below, the Company has requested interim rates, subject to Division audit, further ensuring that if any costs were improperly included, they would be removed before rates become final. Nonetheless, the Company appreciates the Division's recommendation that the Company include greater detail in future applications and agrees it will do so.

The Company has included costs from three rural expansion communities in the Application in this docket. The three communities are Eureka, Goshen/Elberta, and Green River. Each of these rural expansion projects were approved by the Commission in prior dockets². Consistent with the Division's recommendation that DEU Exhibits 1.1 and 1.2 be arranged by the Commission-approved project, the Company has attached DEU Exhibits 1.1R and 1.2R showing which costs were incurred in extending service to each community. The Company has kept the detail of each project intact for audit purposes. This additional

² The rural expansion to Eureka was approved by the Commission in Docket No. 19-057-30. The rural expansion to Goshen and Elberta was approved in Docket No. 21-057-06. The rural expansion to Green River was approved in Docket No. 21-057-12.

information satisfies the Division's concern, and the Company's Application should be approved.

B. All Costs Recorded in DEU Exhibits 1.1R and 1.2R Only Include Portions of Each Commission-Approved Project That are In-Service

The Division indicated in its Comments, that the Company should only recover costs related to projects, or portions of projects, that meet the "completeness test outlined by the Commission." Division Comments at p. 5. Contrary to the Division's assertion, there is no such "completeness test." The Commission does require, as does Section 9.02 of the Tariff³, that the Company may only seek cost recovery for facilities that are in-service. It does not require, as the Division acknowledges, that the entire buildout of a community be complete before the Company can seek cost recovery. See Division Comments at p. 2; Order, Docket No. 21-057-30, p. 4. Here, the costs for each of the facilities included in DEU Exhibits 1.1R and 1.2R are in-service and flowing gas to customers in the approved communities, and therefore those costs should be included in the RETM. Gas began to flow to Eureka in mid-November, 2021. Gas began flowing to Goshen and Elberta on November 14, 2022. Gas began flowing to Green River on October 26, 2023. The costs reflected in the Application, and the exhibits provided with these Reply Comments were incurred in constructing facilities that are "in service" and therefore the Commission should approve the Company's request to recover those costs on an interim basis until the Division can complete its audit.

The Division suggests, in its Comments, that the Company may have sought cost recovery for costs from projects that the Commission has not approved as part of the RETM.

³ Section 9.02 of the Tariff says, "The Rural Expansion Infrastructure must be in service when the application is filed."

This assertion has no basis in fact. The Verified Application, and the data provided herewith both evidence the fact that all costs included in the Company's request are associated with Commission-approved projects. The Division conducted no discovery and has offered no evidence to the contrary. Moreover, should the Division identify any costs that were improperly included during the course of its audit, then the Commission can update the rate to reflect removal of those costs prior to making rates final. The Division's unsupported worry is not cause to deny the Application.

C. The Tariff and Prior Commission Orders Contemplate Approval of Interim Rates, to be Made Final After the Division's Audit

The Division erroneously suggests that the proposed new rates cannot be approved until, "The Division can conduct an audit of the costs recorded in Exhibits 1.1 and 1.2." Division Comments at page 2. Again, this assertion is contrary to both the Company's Tariff and prior Commission orders. The Tariff is express-- an audit is *not required* prior to rate approval on an interim basis. Section 9.02 of the Tariff says, "All items included in the Tracker are subject to regulatory audit consistent with the audit procedures in the 'Gas Balancing Account,' Tariff §2.06." The Commission has recognized that after rates are approved on an interim basis, the Division may complete its audit. For example, on page 5 of the Order in Docket No. 21-057-30, the Commission said, "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, Docket No. 21-057-30, p. 5.

CONCLUSION

The Company appreciates the Division's review of the Application, and views its recommendation that the Company provide greater detail in DEU Exhibits 1.1 and 1.2 as

improvements in the previously established cost-recovery process. The Company has provided that detail herewith, and commits to include such detail in future applications seeking adjustment to the RETM. The remainder of the Division's concerns are not supported in fact or law. Accordingly, the Company respectfully requests that the Commission approve the Application, with rates to become effective on an interim basis on February 1, 2024.

DATED this 19th day of January 2024.

Respectfully submitted,

DOMINION ENERGY UTAH



Jenniffer Nelson Clark
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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of Dominion Energy Utah’s Reply Comments was served upon the following persons by e-mail on January 19, 2024:

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