

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

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

Docket No. 30010-187-GR-19

**APPLICATION OF DOMINION ENERGY WYOMING TO INCREASE
DISTRIBUTION RATES AND CHANGES AND MAKE TARIFF MODIFICATIONS**

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APPLICATION

Pursuant to Wyo. Stat. Ann. §§ 37-2-112 and 37-3-101 et seq. and Chapter 3, Sections 21(h) and 23 of the Rules of Practice the Public Service Commission of Wyoming (Commission), Questar Gas Company dba Dominion Energy Wyoming (Dominion Energy, DEW or Company) respectfully requests approval of the following: (1) an order authorizing an annual increase of \$3.5 in the distribution rates and charges for natural gas service rendered in Wyoming, and (2) an overall rate of return of 7.46%, and as described in the testimony and exhibits attached to this Application.

I. PRELIMINARY MATTERS

A. *Dominion Energy Wyoming Operations*

DEW is a corporation organized and existing under the laws of the state of Utah, with its principal business office located at 333 S. State Street, Salt Lake City, Utah. The Company is engaged in the business of providing natural gas to residential and business customers as a local distribution company. Dominion Energy Wyoming currently distributes natural gas to approximately 27,800 customers in southwestern Wyoming, including customers residing in the cities of Rock Springs, Green River, Kemmerer, Diamondville, and Evanston, as well as other communities and rural areas contiguous to its facilities.

Additionally, DEW distributes natural gas to communities throughout the state of Utah, and in

Franklin County in southeast Idaho, under the jurisdiction of the Utah Public Service Commission.

B. Articles of Incorporation; Tariff

A copy of Dominion Energy Wyoming's Articles of Incorporation is on file with the Commission. The Company's present rates, charges, and general conditions for natural gas service in Wyoming are regulated by the Commission and are set forth in DEW's Tariff for Gas Service in the State of Wyoming (Tariff). If approved by the Commission, the rates and tariff provisions proposed by this Application will be published as revisions to the Tariff and will supersede the current rates and Tariff provisions.

II. APPLICATION FOR AN INCREASE IN DISTRIBUTION RATES AND CHARGES FOR NATURAL GAS SERVICE IN WYOMING

A. Current Rate Structure

Dominion Energy Wyoming's rates are divided into two components: distribution costs, which relate to the non-gas costs incurred by the Company in providing service to its retail customers, and commodity costs associated with gas supply, including gas purchases, upstream transportation and gathering, operator service fees for the production of Company-owned gas supplies, and other gas-supply expenses.

The rate relief requested in this Application relates only to the distribution portion of the Company's rates. The commodity rates are considered in separate pass-on proceedings in accordance with the rules and procedures of the Commission.

B. Previous Rate Proceeding Establishing Distribution Rates

The Company's current distribution base rates were set in the Commission's Findings of Fact, Conclusions of Law, Decision and Order issued on March 2, 2015 in Docket No. 30010-135-GR-14 (2014 Order). On December 22, 2016, the Commission approved the merger of Questar Corporation (the Company's former parent company) and Dominion, Inc.

(now Dominion Energy, Inc.). Memorandum Opinion, Findings and Order Approving Joint Application, Docket No. 30010-150-GA-16, December 22, 2016 (Merger Order). The Company agreed in that docket that it would “not file a general rate case application with the Commission with a requested effective date earlier than January 1, 2020.” Settlement Stipulation, Docket No. 30010-150-GA-16, page 7, paragraph 22. This is the Company’s first general rate case since the issuance of the above-referenced order.

C. *Necessity for Relief*

The Company’s current 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. They are, therefore, not “just and reasonable” as required by Wyoming Stat. Ann. § 37-3-101, and do not meet the standards enunciated by the Supreme Courts of Wyoming and the United States. With the proposed return on equity of 10.5% and the corresponding overall rate of return of 7.46%, which is consistent with current capital markets, the Company’s annual deficiency is \$3.5 million. Failure to obtain rate relief to eliminate this deficiency will result in inadequate rates of return that will adversely impact the financial integrity of the Company’s public utility operations and its ability to provide necessary utility service to its Wyoming natural gas customers.

D. *Basis for Determination of Rate Relief*

Dominion Energy Wyoming proposes to use a test period that ends on December 31, 2019. The test period includes the revenues, expenses and plant that best reflect the conditions that will occur during the rate-effective period and is just and reasonable. As more fully set forth in the direct testimony that is included with this Application, the foundation for the December 2019 test period is the Company’s financial results for the 12 months ended in December, 2018.

In preparing its Application, Dominion Energy Wyoming has examined its operations and the associated costs, revenues and plant and projected the material changes that the Company knows or reasonably expects to occur by December 31, 2019. This analysis reflects adjustments that increase the Company's revenues as well as those that decrease them. The Company believes that the adjusted rate base, revenues and expenses best reflect the conditions for the period that the rates are in effect.

E. Major Factors Contributing to the Rate Deficiency

1. Increased Rate Base

By December of 2019, DEW's total gas plant in service in Wyoming will have increased by approximately \$21 million from the amount approved in the Company's last general rate case. This is primarily due to investments made by the Company to replace aging infrastructure and to expand its system. Current rates do not allow the Company a reasonable opportunity to earn an adequate return on rate base, given the costs associated with these improvements to gas plant.

2. Rate of Return

Dominion Energy Wyoming's proposed rate of return is fair and adequate in today's financial marketplace and falls within the range of reasonableness. Returns of a proxy group of companies comparable to DEW, as measured using Discounted Cash Flow (DCF) analysis and several Risk Premium (RP) analyses evidences the reasonableness of the proposed ROE. Additionally, the proposed ROE is comparable to returns currently being authorized for other comparable gas utilities around the country.

To allow Dominion Energy Wyoming to meet its public service obligation to Wyoming customers, it must be given a reasonable opportunity to earn a rate of return that is commensurate with returns realized by investors on investments with similar risks in the

capital markets. As established in the Direct Testimony and Exhibits of Mr. Robert B. Hevert, attached as DEW Exhibits 2.0 to 2.12 to this Application, the Company's rates should be based on an authorized ROE of 10.5% and an overall rate of return of 7.46%. This rate is appropriate to maintain the long-term financial integrity of the Company's utility operations and best serve its customers.

F. Summary of Test-Year Deficiency and Rate Impact

1. Test-Year Deficiency

The factors discussed above contribute to a revenue deficiency in the Company's Wyoming operations of \$3.5 million.

2. Rate Allocation and Deficiency Assignment

Dominion Energy Wyoming requests that the revenue deficiency be recovered as described in the Direct Testimony and Exhibits of Mr. David C. Landward, attached to this Application as DEW Exhibits 5.0 to 5.07.

3. Typical Customer Impact

The effect of the proposed rate increase on the typical General Service (GS) customer who uses 90 Decatherms (Dth) per year will be an increase of about \$96.32 per year. This is an overall increase to rates of about 13%.

III. SUPPORTING EVIDENCE

Attached and made part of this Application in support of Dominion Energy Wyoming's request for an increase in its distribution rates and charges is the sworn written testimony and attached exhibits of the following witnesses: Kelly B Mendenhall, Robert B. Hevert, Jordan K. Stephenson, Jessica L. Ipson, and David C. Landward.

VI. RELIEF REQUESTED

WHEREFORE, Dominion Energy Wyoming respectfully requests that the Commission:

- A. Hold a scheduling conference to set appropriate dates for intervenors and interested parties to conduct discovery and ultimately set a time and place for a hearing on this Application and give appropriate notice in accordance with Wyoming law; and
- B. Authorize an increase in rates and charges applicable to natural gas service in Wyoming in the annual amount of \$3.5 million to be effective September 1, 2020, as more fully described herein; and
- C. Provide for such other and additional relief as the Commission deems just, reasonable and proper.

RESPECTFULLY SUBMITTED this 1st day of November, 2019.

DOMINION ENERGY WYOMING



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CONTACT INFORMATION

Pleadings and other communications related to this Docket should be directed to the following:

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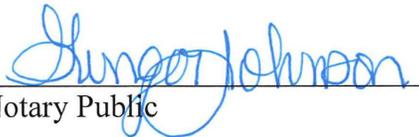
VERIFICATION

STATE OF UTAH)
 :
COUNTY OF SALT LAKE)

Kelly B Mendenhall, being first duly sworn upon oath, deposes and states: he is the Director Regulatory and Pricing, Dominion Energy, Inc.; 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.



Subscribed and sworn to before me this 1st day of November, 2019.


Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Application of Dominion Energy Wyoming to Increase Distribution Rates and Changes and Make Tariff Modifications was served upon the following persons by email on November 1, 2019, 2016:

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