State of Utah
Department of Commerce
Division of Public Utilities

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Memorandum

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Myunghee Sim Tuttle, Utility Analyst

Lane Mecham, Utility Analyst

Carolyn Roll, Technical Analyst

Date: July 16, 2018

Re: **Approval** Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah) 191 Account for Calendar Year, 2013 – Docket Nos. 12-057-08; and 13-057-03.

Recommendation (Approval)

The Division of Public Utilities (Division) has completed its review of Questar Gas Company's (QGC) Account No. 191.1 of the Uniform System of Accounts (191 Account) for 2013 calendar year. The Division found a misallocation of costs between Utah and Wyoming, which resulted in costs being over-allocated to Wyoming. The Division recommends an adjustment of $45,774 to increase Utah allocated gas costs and a corresponding $45,774 reduction to Wyoming's allocated costs.

Issue

In Docket Nos. 12-057-08 and 13-057-03, the Commission ordered approval of rates on an interim basis until such time that the Division completes an audit of the 191 Account. The objective of our audit is to determine whether the costs included for recovery in the 191 Account are accurate, appropriate, and in compliance with previous orders[1] regarding the 191 Account issued by the Public Service Commission of Utah (Commission). The Division's audit[2] includes a detailed review of the various cost elements included in the 191 Account, with the exception of those costs incurred under The Wexpro Stipulation and Agreement (Wexpro Agreement). The costs incurred under the Wexpro Agreement are currently examined and reported upon by an independent certified public accountant appointed as a "Monitor".

This memorandum reports and summarizes the results of the Division's audit of the 191 Account for 2013 calendar year. The Summary of 191 Account Audit Procedures and Results for CY 2013 is attached to this memorandum as Exhibit A. In addition to Exhibit A, the following confidential third-party monitoring reports are attached as Exhibits B and C: Exhibit B – Accounting Monitor Report 2013 (CONF) and Exhibit C – HydroCarbon Monitor Annual Report 2013 (CONF).

Background

In Docket No. 78-057-13, the Commission authorized Mountain Fuel Supply Company (now Dominion Energy Utah) to implement a purchase gas balancing account through Account 191. The 191 Account provides for pass-through recovery of costs in which the risk of changes in costs is borne by ratepayers.

The 191 Account consists of two components: a gas commodity cost and a Supplier Non-Gas Cost. Gas commodity costs include purchase gas costs offset by other revenues and Wexpro

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[1] Commission's previous orders regarding the 191 Account is described in the "Background" section of this memorandum.

[2] In using the term "Audit" the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance "Audit" means compliance review.

related costs and revenues associated with Company-owned gas. Supplier Non-Gas Costs include transportation, gathering and storage.

In addition, the 191 Account contains other gas-related expenses as ordered by the Commission. Other gas-related expenses currently allowed recovery through the 191 Account include gas supply litigation costs (Docket No. 95-057-21), the carrying cost of working storage gas (Docket Nos. 93-057-01 and 01-057-14), hedging costs (Docket Nos. 00-57-08 and 00-057-10), and bad debts related to commodity and supplier non-gas costs (Docket No. 01-057-14).

On January 6, 2006, the Commission issued its order in Docket Nos. 04-057-04, 09, 11, 13 and 05-057-01 dealing with the stipulation between the parties concerning costs associated with the processing of CO_2 in the QGC supply stream. The order approving the stipulation allows for the recovery, in the pass-through filings, of 90% of the non-gas costs QGC incurs for the processing or management of CO_2 in the gas supply, beginning in February 2005. The order also provides for the full recovery of the actual fuel used in the plant up to a limit of 360,000 Dth per year priced at QGC's weighted average cost of gas. Annual credits of revenue above $400,000 that are received from third party processors are also to be shared on a 50/50 basis with customers of QGC. The order also directed that these costs be allocated to the various rate classes based on the same percentages as those used in the general rate case Docket 02-057-02. QGC will not be charged CO_2 gas processing costs after February 1, 2008.

Discussion

The Division conducted an audit of the 191 Account for calendar year of 2013. During the audit, the Division reviewed pass-through filings and the applicable interim rates. The applicable interim rates applied during 2012 were filed in pass-through Docket Nos. 12-057-08 and 13-057-03.

The Division's audit focused on the net costs (costs offset by miscellaneous revenues) included in the 191 Account. The Division evaluated the net costs allocated to Utah by recalculating monthly 191 Account balances. In the Division's review of 2013 net costs, DPU Calculated 191 Balance and QGC Reported 191 Balance had a difference of $45,774. The Division determined that the ending balance difference occurred due to the incorrect demand percentage applied in the month of October. The Division asked about the difference, and QGC explained that the demand percentage is made effective the month following the effective date of the pass-through application because costs for that month aren't billed until the following month. However, the Division believes this is not a sufficient justification for having a lag in the demand percentage because applying the demand percentage on the effective date of the pass-through application does not impact any costs directly. It is simply the allocation of costs to different jurisdictions.

Based on this, the Division recommends that QGC apply demand percentages in the same month as the effective dates and that it apply an adjustment to the 191 account for the misallocation in 2013 to correct the difference.

Conclusion

The Division finds that costs in the 191 Account do not comply with Commission approved calculations. The Division recommends that QGC make an adjustment of $45,774 increase to Utah's allocated gas costs. The Division does not recommend that the interim rates become final in Docket Nos. 12-057-08 and 13-057-03 until the proposed adjustment to the 191 account is made.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services