- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah	DOCKET NOS. 12-057-08 and 13-057-03 ORDER SETTING FINAL RATES

ISSUED: September 21, 2018

BACKGROUND

On August 1, 2012, Questar Gas Company, now doing business as Dominion Energy Utah (DEU) filed a 191, Pass-Through Account (191-Account) application in Docket No. 12-057-08, requesting an annualized gas cost-related rate decrease of $5.72 million, consisting of a decrease in commodity costs of $0.46 million and a decrease in supplier non-gas (SNG) costs of $5.26 million, effective September 1, 2012. In an order issued September 10, 2012, the Public Service Commission (PSC) approved this application on an interim basis pending the completion of an audit by the Division of Public Utilities (DPU).

On May 2, 2013, DEU filed a 191-Account application in Docket No. 13-057-03 requesting an annualized gas cost-related rate increase of $61.43 million, consisting of an increase in commodity costs of $65.21 million, and a decrease of $3.78 million in SNG costs, effective June 1, 2013. In an order issued June 17, 2013, the PSC approved this application on an interim basis pending the completion of an audit by the DPU.

THE DPU'S AUDIT REPORT AND COMMENTS

In a memorandum filed on July 16, 2018 (Memorandum), the DPU informed the PSC it had completed its audits of DEU's 191-Account in the instant dockets. The DPU's Memorandum provides a summary of its audit results and includes DPU Exhibit A, Summary of 191 Account Audit Procedures and Results for CY 2013. The DPU's filing also included as confidential

attachments two separate, independent reviews conducted by the DPU-retained Wexpro Accounting Monitor and the Wexpro Hydrocarbon Monitor (Monitors) operating according to the terms of the Wexpro Stipulation and Agreement (Wexpro Agreement) approved by the PSC on December 31, 1981. The Accounting Monitor, Eide Bailly, CPAs & Business Advisors, investigated DEU's CY year 2013 compliance with the 1981 Wexpro Agreement. The Hydrocarbon Monitor, Evans Consulting Company, provided the Hydrocarbon Monitor's annual report for CY 2013 as defined by the Wexpro Agreement.

The DPU's audit focused on the net costs (costs offset by miscellaneous revenues) included in the 191-Account. The DPU compared the costs and revenues included in the 191-Account filing with the tariff and evaluated the 191-Account balances. During the demand reconciliation portion of its audit, the DPU identified that contrary to the previous practice, DEU had changed the month (from October 2013 to November 2013) to which it applied the revised demand allocation factor used to set 191-Account interim rates made effective on October 1, 2013.[1] According to the DPU, this change resulted in a $45,774 difference between the DPU's calculated 191-Account balance and DEU's reported 191-Account balance, resulting in a misallocation of costs between Utah and Wyoming.

The DPU states that when asked about the difference, DEU explained that the demand percentage is made effective the month following the effective date of the 191-Account pass-through application because costs for that month are not billed until the following month. The DPU asserts DEU's reasoning is not a sufficient justification for having a lag in the demand

[1] *See* DPU Exhibit A, DPU Summary of 191 Account Audit Procedures and Results for CY 2013, Section 5.2.2 Demand Percentage Reconciliation, Audit Month 10/31/2013.

percentage, because applying the demand percentage on the effective date of the 191-Account pass-through application does not impact any costs directly. Rather, it is simply the allocation of costs to different jurisdictions. Based on this, the DPU recommends that DEU apply demand percentages in the same month as the effective date of new rates and it apply an adjustment to the 191-Account for the misallocation in 2013 to correct the difference. Accordingly, the DPU recommends an adjustment of $45,774 to increase Utah allocated gas costs and recommends interim rates not be made final until this adjustment is made.

On August 15, 2018, DEU filed a response to the DPU's Memorandum. DEU asserts that although the demand percentage change procedure is different than that recommended by the DPU, it is not incorrect. DEU explains that the demand allocation factor is calculated in a 191-Account pass-through filing and is based on the Integrated Resource Plan (IRP) forecast of peak-day usage. According to DEU, prior to 2013 it used the same allocation method as was used by the DPU during its audit, i.e., DEU updated the allocation factor for demand costs in the same month that the pass-through rates were made effective (Historic Practice). DEU further explains that in 2013, new personnel in the accounting and regulatory departments reviewed and assessed this practice and determined that due to the lag time in the accounting process, the Historic Practice was not accurately matching the new updated allocation factor with the costs being allocated. DEU asserts that its revised method matches the approved demand cost allocation factor with the costs that are being allocated for the previous month.

DEU acknowledges that consistency is important in both ratemaking and accounting and believes it is important to review historical practices and modify those practices to improve accuracy. In this instance, DEU believes that matching an allocation factor with the costs being

allocated is more accurate, and therefore the better method. DEU requests the PSC make no adjustment in these dockets and approve the rates as final.

The DPU filed a response to DEU's comments on August 30, 2018, requesting the PSC make a determination on the proper timing of the demand cost allocation factor update. The DPU states it has discussed the two different update timing methods with DEU and represents that whichever demand cost allocation update method the PSC directs DEU to use will be acceptable to both parties.

In response to a PSC Supplemental Action Request, on September 12, 2018, the DPU filed comments concluding that the rates under either the DPU's or the DEU's demand allocation methods would be just and reasonable. The DPU maintains it is unclear whether or not the method used by DEU complies with the PSC's orders because the allocation factor is applied one month after the effective dates in the orders. The DPU continues to request clarification on whether the method proposed by DEU complies with the PSC's orders.

DISCUSSION, FINDINGS, AND CONCLUSIONS

As an initial matter regarding the timing of implementing a change to the demand allocation factor used to set final rates, the choice before us is to maintain the Historic Practice as suggested by the DPU or to allow the revised practice used by DEU. We consider that: 1) the demand allocation factor at issue is an estimated factor based on DEU's peak day determination modeling in its IRP; 2) the peak day determination calculated in a given year's IRP represents an annual heating season of June 1 through May 31; 3) unlike the commodity percent reconciliation of 191-Account rates, the demand percentage reconciliation is currently not trued up based on the actual maximum day demand experienced during a given IRP year; and 4) the test years for

191-Account filings generally do not correspond exactly with the dates of the given IRP year. Therefore we find that neither the DPU's nor the DEU's timing for changing the demand allocation factor in the determination of final rates is entirely consistent with DEU's IRP.

Based on this finding, the DPU's representation that the PSC-determined allocation method will be acceptable to parties, the modest amount of DPU's proposed adjustment, the DPU's representation that rates under either method are just and reasonable, that DEU's demand allocation factor change was implemented almost five years ago, and for the sake of regulatory efficiency, we approve DEU's method for the timing of the demand cost allocation factor update. To the extent parties continue to have concerns regarding the timing of the demand cost allocation factor update, we encourage further discussion on this issue either informally or during a future 191-Account-related technical conference. We also encourage DEU to inform the relevant parties of any future changes to models or accounting methods used in any of its major balancing accounts prior to such changes being implemented.

Based on the DPU's audit and the Monitors' reports and our finding above, and in the absence of any opposition, we find the previously ordered interim rates in the instant dockets are just, reasonable, and in the public interest. Accordingly, we approve the interim rates in Docket Nos. 12-057-08 and 13-057-03 as final.

ORDER

We approve as final the interim rate changes previously ordered in Docket Nos. 12-057-08 and 13-057-03.

DATED at Salt Lake City, Utah, September 21, 2018.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#304559

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on September 21, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Kelly Mendenhall (kelly.mendenhall@dominionenergy.com)
Austin Summers (Austin.summers@dominionenergy.com)
Jenniffer Nelson Clark (jenniffer.clark@dominionenergy.com)
Dominion Energy Utah

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Steven Snarr (stevensnarr@agutah.gov)
Assistant Utah Attorneys General

Erika Tedder (etedder@utah.gov)
Division of Public Utilities

By Hand-Delivery:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

____
Administrative Assistant