State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Public Service Commission of Utah

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager, Energy Section
Carolyn Roll, Technical Consultant
Lane Mecham, Utility Analyst

Date: August 30, 2018

Subject: Docket No. 12-057-08 and 13-057-03. Notice of Filing and Comment Period from the Commission to submit comments on the Division of Public Utilities' Audit of Questar Gas Company's (now, Dominion Energy Utah) 191 Account for the 2013 calendar year.

RECOMMENDATION:

The Division of Public Utilities (Division) requests that the Public Service Commission of Utah (Commission) make a determination when the allocation factors for accounting entries is applied. Either in the month when the pass through becomes effective, as recommended by the Division, or the following month as recommended by Dominion Energy Utah (Company).

ISSUE:

On July 16, 2018, the Division filed its Memo regarding its audit of the accounting entries in the 191 account for the 2013 year. This audit was based on the information filed in Pass-Through

Docket Nos. 12-057-08 and 13-057-03. On July 17, 2018, the Commission issued a Notice of Filing and Comment Period regarding this matter, with comments due on or before August 15, 2018 and reply comments on or before August 30, 2018.

DISCUSSION:

The Division, as part of its audit procedures, evaluated the net costs allocated to Utah by recalculating monthly 191 Account balances. In the Division's review of 2013 net costs, the Division calculated 191 Balance and Company 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 are not 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.

In the Company's comments filed on August 15, 2018 the company states that "prior to 2013, the Company used the allocation method proposed by the Division." The Company offered further explanation for the change to the allocation method:

> [H]owever, in 2013, new personnel in both the Company's accounting and regulatory departments assessed this practice and determined that due to lag in the accounting, following this procedure was not accurately matching the allocation factor with the costs being allocated. For example, an invoice accounted for in October is usually payment for service provided in September, and therefore should be allocated using the allocation factor in effect in September. A November invoice would then be accounting for October services, which would be allocated using the new allocation factor that went into effect in October (the prior month). The Company's method simply matches the approved allocation factor with the costs that are being allocated. This method has been applied since 2013.

CONCLUSION:

The Division and Company have discussed the different methods. Whichever allocation method the Commission directs the Company to use in the 191 Account balances will be acceptable to both parties. Since this will be an issue in the 2014 and subsequent audits the Division will await the Commission's decision before filing any additional audit reports.

Cc: Kelly Mendenhall, Dominion Energy Utah
Austin Summers, Dominion Energy Utah