State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Memorandum

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Lane Mecham, Utility Analyst

Carolyn Roll, Technical Consultant

Date: October 3, 2018

Re: **Approval** Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah) 191 Account for Calendar Year 2014 – Docket Nos. 13-057-07 and 14-057-09.

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 the 2014 calendar year. Following a recent order by the Commission approving a one month lag in the demand percentage allocation, the Division recommends the Commission make rates final in Dockets 13-057-07 and 14-057-09 without any adjustment.

Issue

In Docket Nos. 13-057-07 and 14-057-09 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 the 2014 calendar year. The Summary of 191 Account Audit Procedures and Results for CY 2014 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 2014 (CONF) and Exhibit C – HydroCarbon Monitor Annual Report 2014 (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 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

[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.

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 2014. During the audit, the Division reviewed pass-through filings and the applicable interim rates. The applicable interim rates applied during 2014 were filed in pass-through Docket Nos. 13-057-07 and 14-057-09.

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. Initially the Division was concerned that the demand percentage had been applied one month late, an issue identified in previous audits. The Division inquired with the Company about why this would be the case. Meanwhile, the Commission was considering whether to make rates final in the 2013 audit and concluded that the one month lag complied with the Commission's orders. The Division therefore updated its model to account for the one month lag which accounted for nearly all the difference.

Conclusion

The Division finds that costs in the 191 Account comply with Commission approved calculations and are just, reasonable, and in the public interest. The Division recommends the Commission make rates final in Dockets 13-057-07 and 14-057-09 without any adjustment.

Cc: Kelly Mendenhall, Dominion Energy Utah

Michele Beck, Office of Consumer Services