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

Lane Mecham, Utility Analyst

Carolyn Roll, Technical Consultant

**Date:** December 26, 2018

**Re:** **Approval** Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah) 191 Account for Calendar Year 2015 – Docket Nos. 14-057-22, 15-057-04, and 15-057-11.

## Recommendation (Approve Final Rates)

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 2015 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 14-057-22 and 15-057-04 and without any adjustment.

## Issue

In Docket Nos. 14-057-22, 15-057-04, and 15-057-11 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 2015 calendar year. The Summary of 191 Account Audit Procedures and Results for CY 2015 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 2015 (CONF) and Exhibit C – HydroCarbon Monitor Annual Report 2015 (CONF).

Audits for years 2016 and 2017 have also been completed by the Division, however, those reports are not being filed at this time. The Accounting Monitor which audits the Wexpro Stipulation and Agreement has not provided its report to the Division for those years yet. Once those reports have been provided to the Division it will review them and file those years' reports at that time. The Accounting Monitor has estimated that those reports will be provided to the Division in January of 2019.

## Background

In Docket No. 78-057-13, the Commission authorized Mountain Fuel Supply Company (now Dominion Energy Utah) to implement a purchased 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.

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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.

The 191 Account consists of two components: a gas commodity cost and a Supplier Non-Gas Cost. Gas commodity costs include purchased 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 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 2015. During the audit, the Division reviewed pass-through filings and the applicable interim rates. The applicable interim rates applied during 2015 were filed in pass-through Docket Nos. 14-057-22, 15-057-04, and 15-057-11.

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, applying carrying charges to the balances rolling forward and accounting for adjustments.

## 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 Docket Nos. 14-057-22 and 15-057-04 without any adjustment.

Cc: Kelly Mendenhall, Dominion Energy Utah

Michele Beck, Office of Consumer Services