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State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director
Artie Powell, Energy Section Manager
Jeff Einfeldt, Utility Analyst

Date: October 30, 2018

Re: **Docket No. 18-057-06**

Dominion Energy Utah Affiliated Interest Report for the year ended December 31, 2017. Division's Review and Recommendation – Acknowledge Report.

RECOMMENDATION (Acknowledge Report)

The Division of Public Utilities ("Division") has reviewed Dominion Energy Utah's ("DEU") Affiliated Interest Report ("Report") for the Year Ended December 31, 2017 and determined the report complies with the Commission's order Memorializing Bench Ruling Approving Settlement Stipulation, dated September 14, 2016, in Docket No. 16-057-01, and the Stipulation (paragraph 45) attached thereto. The Division reviewed transactions from major affiliates and a sample of transactions representing relatively small dollar amounts. The Division found no evidence that terms and pricing in these transactions are not at the lower of cost or market, or otherwise not in the public interest. The Division recommends the Commission acknowledge the report.

ISSUE

On July 3, 2018, the Public Service Commission (“Commission”) issued an Action Request for the Division to review DEU’s Affiliated Transaction Report indicating a due date of August 1, 2018. The Division required additional time to complete the review. The Commission granted an extension to November 8, 2018. This is the Division’s response to the Commission’s Action Request.

ANALYSIS

In the absence of a Utah statute defining affiliated interests, the Division follows those found in Oregon, Washington, and California for guidance. Affiliated interests of DEU are defined by Oregon Revised Statutes 757.015, Revised Code of Washington 80.16.010, and California Public Utilities Commission Decision 97-12-088, as amended by Decision 98-08-035, as having two or more officers or Directors in common with DEU or by meeting the ownership requirements of five percent direct or indirect ownership.

The purpose of the DEU Affiliated Interest report is to inform the Commission of the current subsidiaries and affiliates associated with DEU, including a brief narrative of the operations of each affiliate including officers and directors in common, the services received and provided, and certain financial information. Although DEU provides retail natural gas service to certain affiliates within its service territory, such transactions are excluded from this report because they are billed at tariff rates.

The Division, at the direction of the Commission, reviews the extent affiliates actually exercise any substantial influence over the policies and actions of DEU.

TYPES OF SERVICES

The DEU Affiliate transactions are of two kinds: 1) the administrative services provided and received that are covered by Intercompany Administrative Services Agreements (“IASA”); and 2) the tangible goods and services provided and received outside the IASA.

IASA Services

The services provided and received under the IASA are billed and payments are made according to the IASA agreement. The Division requested detail of these transactions and was able to reconcile to the totals included on the summary of transactions included in section II of the 2017 Affiliated Interest Report. IASA services received for 2017 were \$60,669,000. IASA services provided for 2017 were \$7,798,000 for total IASA services for 2017 of \$68,467,000. The billings and payments follow the procedures set forth by the IASA at paragraphs 2 and 3, and provide assurance that these transactions are billed at cost. The Division did not observe any indication of undue negative or positive financial impact to DEU as a result of these transactions.

Non-IASA Services

The Non-IASA services are tangible goods and services exchanged between DEU and the respective affiliate. The affiliates that provided and/or received material amounts of non-IASA services are discussed below.

Dominion Energy Questar Pipeline Co.

Dominion Energy Questar Pipeline Co. is a sister company to DEU and provides natural gas transportation service to the Utility's system and natural gas storage service. Services received total \$73.5 million and represent approximately 19% of the total non-IASA goods and services received for 2017. The associated contracts and costs are reviewed during rate cases and other actions, therefore, the Division conducted no additional detailed review or investigation of these costs related to this report.

Wexpro

Wexpro is a wholly-owned subsidiary of Dominion Energy Questar, a wholly-owned subsidiary of Dominion Energy. Wexpro develops and produces cost-of-service reserves for the gas utility under the terms of the Wexpro Agreement and comprehensive agreements with the state of Utah and Wyoming. Wexpro engages in the exploration, development and operation of natural gas

wells for the benefit of DEU and its ratepayers. Wexpro is the primary source of the natural gas sold to DEU's customers. The non-IASA payments for goods and services for 2017 total \$272.1 million and represents 69% of total non-IASA goods and services. These transactions are subject to the Commission order dated December 31, 1981 approving a settlement agreement regarding transfer of natural gas assets to Wexpro. These costs are reviewed during rate cases and other actions, therefore the Division conducted no additional detailed review or investigation of these costs related to this report.

Wexpro II

Services received under the Wexpro II agreement also represent costs related to the exploration, development and operation of natural gas wells resulting in natural gas sold to DEU, which is then sold to its customers. Non-IASA goods and services received from Wexpro II for 2017 total \$46.3 million and represent 12% of total non-IASA goods and services. These transactions are governed by the Wexpro II agreement approved by the Commission in Docket No. 12-057-13 dated March 28, 2013. These costs are also reviewed during rate cases and other actions, therefore the Division conducted no additional detailed review or investigation of these costs related to this report.

Dominion Energy, Inc.

Dominion Energy, Inc. is the parent company of DEU and its affiliates. The \$817,639 represents a reimbursement from DEU to the parent company to cover employee stock-based compensation and represents .2% of the total non-IASA goods and services for 2017.

CONCLUSION

The Division has completed the review of the Affiliated Interest Report and the associated information. As a result of this review the Division believes:

1. Active affiliated interest relationships exist between DEU and the reported entities.
2. The appropriate affiliate transactions' information has been provided to the Division upon request to the Company.

3. The activity between the affiliates as reported in the filing does not appear to be adverse to the public interest.

This concludes the Division's report and response to the Action Request from the Commission. The Division recommends the Commission acknowledge DEU's Affiliated Interest Report for the year ended December 31, 2017.

cc: Kelly B. Mendenhall, DEU
Michele Beck, Office of Consumer Services