



State of Utah
Department of Commerce
Division of Public Utilities

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Recommendation

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant

Eric Orton, Utility Technical Consultant

Date: October 10, 2018

Re: Comments Regarding Docket No. 18-057-09.
In the Matter of Dominion Energy Utah's Quarterly Integration Progress Reports.

Recommendation (No Action)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) take no action at this time regarding the Integration Progress Report (IPR) for the fourth quarter of 2017 submitted by Dominion Energy Utah (Gas Utility).

Issue

On September 14, 2016, the Commission issued its order approving the acquisition of Questar Gas Company by Dominion Energy. As part of that order, Paragraph 36 of the stipulation was adopted, which addresses reporting to the Commission on "planned and accomplished" tasks related to the merger. The settlement stipulation identified 57 individual commitments that were agreed to by the Gas Utility. One commitment called for the Gas Utility to work with the Division and the Office of Consumer Services (Office) to develop an Integration Progress Report (IPR). This report would be filed quarterly and would include transition and transaction costs.

It is the Division's understanding that the intent of the quarterly filing is simply to monitor the integration activity and the costs associated with the merger of Questar and Dominion not to justify such costs nor to seek recovery.

Background

On January 31, 2016, Dominion Resources (Dominion) and Questar Corporation (Applicants) signed a merger agreement. On March 3, 2016, the Applicants petitioned the Commission for approval of the proposed merger agreement. On August 22, 2016, the Commission held a hearing regarding the joint stipulation and heard testimony supporting the proposed stipulation. On September 14, 2016, the Commission issued its written order approving the stipulation and thereby the merger.

On August 1, 2018 the Gas Utility filed "Dominion Energy Utah's 1st Quarter 2018 Integration Progress Report." Also on August 1, 2018, the Commission issued an Action Request to the Division with a due date of August 31, 2018. On August 2, 2018 the Commission issued a Notice of Filing and Comment Period stating that comments on the IPR are due to the Commission by October 9, 2018 with reply comments due by October 23, 2018.

These are the Division's comments and Action Request Response.

Discussion

First Quarter 2018 Report

Each IPR has provided information that the Company purports to show that it is meeting its merger commitments. With this fifth IPR (first quarter 2018), the Gas Utility includes four exhibits as follows:

Exhibit 31. A chart representing the Involuntary Severance Plan Summary. This chart shows that 56 positions have been or will be eliminated.

Exhibit 32. A summary of the Transition and Transaction costs of the merger. This specifies that the Transaction Costs thus far are \$100.595 million (the same as last quarter) and the Transition costs thus far are \$22,119 million (up from \$21.195 million last quarter).

Exhibit 33. A copy of the 2016 and 2017 December 31 Wexpro Company Consolidated Financial Statements and Report of Independent Auditors.

Exhibit 34. The Gas Utility's Customer Satisfaction Standards Report (CSSR) for the 4th Quarter ended December 2017. In the merger docket, the parties agreed in paragraph 47 of the settlement stipulation that "If the Dominion Questar Gas service levels become deficient, meaning they fall short of the Customer Satisfaction Standards as shown in the report, Dominion Questar Gas will file a remediation plan with the Commission explaining how it will improve and restore service to meet the Customer Satisfaction Standards."

The 1st quarter 2018 results shows that in three areas where the Gas Utility is deficient. Billing metric #1 - read each meter monthly, billing metric #5 - Response time to investigate meter problems and notify customer within 15 business days, and Customer Care where the average wait was 60 seconds instead of 45. All these metric are more-or-less connected to the failure of certain transponders which is not related to the merger.

Other Issues

The Division believes that the Commission's decision in Docket No. 18-057-07, Dominion Energy Utah's Gas Line Coverage Letter, and the resultant order shows that Gas Utility failed to keep merger commitment #7. This commitment states, "Dominion Questar Gas will be managed from an operations standpoint as a separate regional business under Dominion with responsibility for managing operations to achieve the objectives of customer satisfaction; reasonable rates; reliable service; customer, public, and employee safety; environmental stewardship; and collaborative and productive relationships with customers, regulators, other governmental entities, and interested stakeholders. Dominion Questar Gas will have its own local operating management located in Salt Lake City, Utah." The Commission has given direction on how to remedy this shortfall such that:

- “We order:
1. Section 8.08 is suspended prospectively in that new customers who are not receiving third-party billing under Section 8.08 on the date of this order may not begin to receive third-party billing under Section 8.08 unless or until the PSC revokes or modifies this suspension;
 2. DEU shall file an updated Section 8.08 to reflect that suspension;
 3. DEU shall initiate a collaborative process with the DPU and the OCS to develop a revised Clarification Letter to be sent to customers currently receiving third-party billing under Section 8.08;
 4. Within 30 days after the date this order is issued, DEU shall either file with the PSC a clarification letter approved by the DPU and the OCS or inform the PSC that consensus was not reached;
 5. Revenue imputations associated with DEU’s conduct at issue in this docket shall be considered in DEU’s next general rate case.”

Therefore, this merger commitment shortfall is in the process of being corrected.

Conclusion

The Division finds that the Company has materially met its requirement to report to the Commission its merger progress as required in paragraph 36 of the Stipulation and no action is requested or required of the Commission. The quarterly filing does not require Commission acknowledgement or approval but is intended to flag any changes that may occur that could impact rates, customer service, or system reliability.

The Division also notes that this recommendation should not be construed in anyway as an endorsement or preapproval that these costs or actions are prudent, necessary or in the public interest. These issues will be addressed in the next general rate case. Quarterly reports will still need to be filed by the Company until the conclusion of the next general rate case. The Company’s letter and attachments meet the requirements for this report.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services