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: November 9, 2018

Re: Action Request Response and Comments Regarding Docket No. 18-057-09. 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 second quarter of 2018 submitted by Dominion Energy Utah (Gas Utility).

Issue

On October 24, 2018 the Gas Utility filed "Dominion Energy Utah's 2nd Quarter 2018 Integration Progress Report." Also on October 24, 2018, the Commission issued an Action Request to the Division with a due date of November 23, 2018. On October 25, 2018 the Commission issued a Notice of Filing and Comment Period stating that comments on the IPR are due to the Commission by November 27, 2018 with reply comments due by December 11, 2018.

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

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. The parties agreed to settle the matter and filed a stipulation. 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 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.

The Division understands 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.

Discussion

Second Quarter 2018 Report

Each progress report has provided information that the Company purports to show that it is meeting its merger commitments. With this sixth report (second quarter 2018), the Gas Utility includes three exhibits as follows:

Exhibit 35. A chart representing the Involuntary Severance Plan Summary. This chart shows that 56 positions have been or are scheduled to be eliminated. Of the 56 affected employees 19 have found other positions within Dominion Energy (Corporation). This is two more employees than the 17 that found positions within the Corporation in last quarter report.

Exhibit 36. 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).

There are new line items in this report that were not included previously, namely line items 27, 28 and 29, labeled Curtailment of Supplemental Executive Retirement Plan, Retention and Involuntary severance program, respectively. These line items represent the amounts that are allocated from the Corporation to the different operating entities that are not charged directly. To the Gas Utility this represents a charge of $4.087 million allocated to it by the Corporation in 2017.

Exhibit 37. The Gas Utility's Customer Satisfaction Standards Report (CSSR) for the 2nd Quarter shows the results ended June 2018. 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."

In its last IPR the Division stated "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."

In the current quarterly report, these same three areas are still deficient. The Gas Utility places blame for these deficiencies on "issues with battery failure on certain transponders" and that the customer care "department was understaffed because of the high employee turnover in the second quarter." The Division expects these deficiencies to be corrected and eliminated entirely next year as the Gas Utility stated in this application: "The Company is currently undergoing a transponder replacement program that is scheduled to be complete in 2019," and that its customer service department "is currently hiring additional people and should be fully staffed in the fourth quarter."

Specifically, regarding the Gas Utility's progress in these three deficiencies, we see that:

> Billing metric #1 read each meter monthly. This matrix is progressively getting better from a low (so far) of 93.8% for the fourth quarter of 2017 to 97.8 for the second quarter of 2018.
>
> Billing metric #5 response time to investigate meter problems and notify customer within 15 business days. This matrix also shows that the Gas Utility is improving from the last quarter report by ten percentage points.
>
> Finally, Customer Care matrix #1, Percentage of calls answered within 60 seconds after customer chooses menu option. This is continuing its downward course with a low of 75.8%. This is the lowest this matrix has been since the merger.

In summary, although still deficient, two of the three standards appear to be reversing their trends.

It is possible that these three deficiencies are not a direct result of the merger and could be considered normal business problems – nonetheless they do concern the Division.

Discussion

Trends

Exhibit 37 provides the CSSR results from the third quarter 2017 to the second quarter 2018. A review of this exhibit show that there are numerous areas exhibiting an overall decline in customer service or a negative sloping trend. Although still meeting the respective goals, there is a slight downward trend from the past four quarters that the Division will be monitoring closely in the following standards:

> Overall Impression of QGC.

1 How satisfied are you with the product and services you receive.
2 Delivers natural gas to my home/good value for price paid.
5 Is honest and open in its dealings.
6 Safely delivers natural gas to my home.
7 Demonstrates care and concern for people like me.

Customer Care.

1 Percentage of calls answered within 60 seconds.
3 Average wait for customer after menu selection.
4 Callers that hang up after menu chose is made.
5 Amount of time talking with customer and completing request.
6 The phone staff was courteous.
7 The phone staff was knowledgeable.
8 My call was answered quickly.
9 The person I spoke to was able to resolve my issue.
11 How satisfied are you with the actions taken by Questar Gas in response to your call.

Service Calls – Ask-A-Tech.

1 The technician was courteous.
2 The technician was knowledgeable.
3 The technician was able to help me quickly.

Service Calls.

6 Emergency calls – company representative is outside within 1 hour of call.
10 Keeping customer appointments.

Billing.

3 Send corrected statement to customer.
4 Percentage of billing inquiries requiring investigation responded to within 7 business day.
5 Response time to investigate meter problems and notify customer within 15 business days.

As can be seen by the size of this list that many areas of Customer Service are slipping (albeit slowly) at the Gas Utility. It is not clear if the under-staffed situation in the customer service department is related to the merger or some other reason.

One last, related concern bears mention. In the recently concluded docket concerning the Gas Utility's gas-line coverage letter, the Gas Utility behaved in a way that suggests to the Division that it had greater concern for its affiliate than for its utility customers. Its aggressive and joint defense of the confusing mailers was out of character with past Gas Utility conduct and the Division is concerned that Gas Utility personnel are not being given sufficient independence from broader corporate interests and concerns. The Commission's actions in that case are likely sufficient to remedy that specific problem. However, the Division will continue to monitor affiliate relationships and transactions to ensure the Gas Utility maintains an appropriate level of independence.

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 any way 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