State of Utah

Department of Commerce
Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: June 16, 2020

Re: **Docket No. 19-057-17,** Dominion Energy Utah, 2019 Quarterly Integration Progress Reports.

Recommendation (No Action)

The Utah 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 2019 and the first quarter 2020 submitted by Dominion Energy Utah (Gas Utility or Company).

Issue

On May 20, 2020, the Gas Utility submitted its 4^{th} Quarter 2019 and 1^{st} Quarter 2020 Integration Progress Reports. On May 21, 2020 the Commission issued an Action Request to the Division with a due date of June 19, 2020. Additionally, on May 22, 2020, the Commission issued a Notice of Filing and Comment Period stating that comments on the IPR are due to the Commission by June 19, 2020, with reply comments due by July 6, 2020.

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

Background

On January 31, 2016, Dominion Resources (Dominion) and Questar Corporation (Questar) signed a merger agreement. On September 14, 2016, the Commission issued its order approving a joint stipulation and the acquisition of Questar by Dominion. Paragraph 36 of the stipulation addresses reporting to the Commission on “planned and accomplished” tasks related to the merger. The joint stipulation identified 57 individual commitments that were agreed to by Dominion and Questar (the Applicants). 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. This report would be filed quarterly and would include transition and transaction costs. The intent of the quarterly filing requirements was to monitor and report the integration activity and the costs associated with the Applicants’ acquisition, not to justify such costs or seek cost recovery.

Also in that stipulation it was agreed to that these IPR’s were to continue “until the conclusion of the next general rate case.” The Gas Utility’s next general rate case (GRC) concluded with the Commission’s Report and Order issued on February 25, 2020. Based on the conclusion of that GRC, the Gas Utility stated in this filing that “this will be the final quarterly merger integration report.”

Discussion

Each quarterly progress report has provided information to show that the utility is meeting its merger commitments. With each IPR the Gas Utility has numbered its exhibits consecutively. With the last report (second and third quarter 2019), the Gas utility concluded its report by offering Exhibit No. 51. This filing continues that numbering sequence and contains Exhibit Nos. 52-57.

Exhibit 52. Capital Expenditures. Dominion Energy Capital Expenditures YTD December 31, 2019.

Merger commitment #8 is an effort to ensure the continued investment in total capital expenditures. In 2019 the capital investment should be at least $233 million. To satisfy this commitment the exhibit shows that the Gas Utility's Capital Expenditures were $237 million for 2019, which demonstrates that it is meeting its commitment in this area.

Exhibit 53. Charitable Contribution.

Merger Commitment #31 refers to the level of the Gas Utility's charitable giving within the service area. Specifically, the Gas Utility committed, at shareholders' expense, to increase its historic levels of corporate contributions by $1 million "per year for at least five years…" After the acquisition was finalized, the Gas Utility spent $1,522,447 in 2016, $2,788,234 in 2017, $2,786,925 in 2018 and $2,882,577 in 2019.

Exhibit 54. O&M and A&G.

This exhibit shows the Gas Utility's O&M and G&A per customer based on the Questar Gas Company 12 Months Ended 2019 O&M and A&G from its Annual Results of Operations. Merger Commitment #39 was set in an effort to keep spending reasonable for these largely controllable expense categories. The baseline was established at $138.24 per customer. The O&M and A&G for the 12 Months Ended 2019 was $124.23 per customer, which is 90% of the baseline thus showing that O&M and G&A costs per customer are less post-merger than pre-merger.

Exhibit 55. 2019 Wexpro Company Consolidated Financial Statements.

The Audited financial statement for Wexpro Company have been provided as part of merger commitment #50 where it states that it "will make annual financial statements for Wexpro and Quester Pipeline available to regulators."

Exhibit 56. 2019 Dominion Energy Questar Pipeline Form 2.

The FERC Form 2 (Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report) was also provided as part of merger commitment #50 where it commits to "make annual financial statements for Wexpro and Quester Pipeline available to regulators."

Exhibit 57. Customer Service Standards.

The stipulation states; "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 introduction letter in this filing states that "The first quarter 2020 results are attached as Exhibit 56." This is in error as the exhibit is labeled Exhibit 57, not 56. Notably, the Gas Utility acknowledged deficiencies in two of its CSSR standards and stated that "Both of these are related to the transponder issues which have been studied in more detail in Docket 19-057-25." Specifically these deficiencies are: Billing metric #1, read each meter monthly, was 98.7% instead of 99%. Billing metric #5, "Response time to investigate meter problems and notify customer within 15 business days". This metric was 94.4% instead of 95%. These metrics have been deficient for some time, however, it does appear that they are getting progressively better or closer to meeting the standards.

Additionally, Dominion acknowledges that "There were also 3 metrics that fell in the 1st quarter that are related to emergency response times. Customer Care metric #2, percentage of emergency calls answered within 60 seconds was 95.5% which was lower than the 99% goal. Customer care metric #9, "The person I spoke with was able to resolve my issue", was 5.6 compared to the goal of 6.0 and Customer Care metric #11, "How satisfied are you with the actions taken by Questar in response to your call was 5.6 compared to a metric of 5.8." The claim made by the Gas Utility is that the fault lies in the "large surge in calls related to the 5.7 magnitude earthquake that occurred on March 18, 2020. On that particular day, the Company had 1,137 emergency calls, most of which occurred near the time of the earthquake. This compares to a 68 call daily average the week prior. Due to the high call volume on that day, 817 or only 71% of these calls could be responded to within one hour." It continued stating that since failure to meet these metrics were "due to an extraordinary circumstance, the Company does not believe any remediation is necessary going forward." The Division believes that this is likely the case and agrees that

"Barring another extraordinary circumstance in the 2nd quarter, the Company expects these metrics to return to satisfactory levels."

Transition and Transaction Costs. The Gas Utility did not provide an exhibit in this filing to show the transaction and transition costs as required by the Commission's order. However, after corresponding with the Gas Utility, the Division was told that there have been no additional transition or transaction costs for the quarter so the figures provided previously show the most up-to-date information.

Conclusion

The Division finds that the Gas Utility is compliant and has materially met its requirement to report to the Commission its merger progress as required in paragraph 36 of the Stipulation. No action is requested or required of the Commission. These quarterly filings do not require Commission acknowledgement or approval but are intended to flag any changes that may occur that could affect rates, customer service, or system reliability.

The Gas Utility's letter and attachments have meet the requirements for providing these reports as stipulated and ordered. This filing will conclude the Gas Utility's requirements to file quarterly IPR's.

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