



State of Utah
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Division of Public Utilities

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SUPPLEMENTAL ACTION REQUEST RESPONSE

To: Public Service Commission of Utah

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager, Energy Section
Carolyn Roll, Technical Consultant
Jeff Einfeldt, Utility Analyst
Myunghee Tuttle, Utility Analyst
Lane Mecham, Utility Analyst

Date: March 16, 2018

Re: Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah) 191 Account for Calendar Years, 2009 and 2010 - Docket Nos. 08-057-23; 09-057-03; 09-057-12; and 10-057-09.

SCOPE & OBJECTIVE

The Division of Public Utilities (Division or DPU) conducts an annual audit¹ of Questar Gas Company's (Questar Gas or the Company) Account 191 of the Uniform System of Accounts. Our audit 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), which are currently examined and reported upon by an independent certified public accountant appointed

¹ 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.

as a "Monitor". The objective of our audit is to determine if the costs the Company has included for recovery in the 191 Account, are accurate, appropriate and in compliance with previous orders regarding the 191 Account issued by the Public Service Commission of Utah (Commission).

RECOMMENDATION (APPROVAL)

The Division finds the 191 Account to be stated fairly, the costs prudent, and in conformance with prior Commission orders. Our findings are in conjunction with the Independent Accountants' 2009 and 2010 Performance Review of Wexpro, which has been issued, as well as review of the reports received from the hydrocarbon monitor. It is the Division's judgement that the interim rates are just, reasonable and in the public interest. The Division recommends that the interim rates become final in Docket Nos. 08-057-23; 09-057-03; 09-057-12; and 10-057-09 and these items be closed.

ISSUE

On March 1, 2018 the Commission issued a Supplemental Action Request directing the Division to respond to several inquiries.

- In the DPU's judgement, are the costs underlying interim rates to be made permanent in the referenced dockets prudent? Are the interim rates to be made permanent just, reasonable, and in the public interest?
- Is it the DPU's recommendation that the interim rates be made final?
- Please explain whether the DPU's audits of the referenced dockets address the recommendations provided by the DPU's consultant, Williams Consulting, Inc., in the report filed in Docket No. 10-057-06².
- Please explain whether the DPU audits of the referenced dockets address the audit, analysis, and recommendations provided by the DPU's consultant, Overland Consulting, filed in Docket No. 13-057-07³.
- Please include with the DPU's response all third-party monitoring reports retained by the DPU for the audit periods in question.

² See *In the Matter of The Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 10-057-06 (Comments from DPU, Exhibit A, filed July 19, 2010).

³ See *In the Matter of the Pass-Through Application of Questar Gas Company for an Adjustment in Rates and Charges for Natural Gas Service in Utah*, Docket No. 13-057-07 (Overland Report on the Wexpro Operator Service Fee, filed June 29, 2016).

This memorandum constitutes the Division's Supplemental Action Request Response.

DISCUSSION

As stated in the Recommendation, the Division's judgment is that the costs in the 191 account are prudent. The interim rates in Docket Nos. 08-057-23; 09-057-03; 09-057-12; and 10-057-09 are just, reasonable, and in the public interest. As a result, the Division recommends the interim rates be made final.

The DPU hired Williams Consulting, Inc. (WCI) to review the costs included in System Wide Gathering agreement (Agreement) after the gathering rate increased 41% in September, 2007. A copy of its final report was filed in Docket No. 10-057-06. In its investigation, WCI found that the costs charged to the Company under the Agreement followed the terms of the contract. WCI voiced no major concerns with the agreement or the pricing under the agreement. The Division reviewed these costs for 2009 and 2010 and found them to be properly stated and prudently incurred and to follow the terms of the agreement. WCI did note that recent Wexpro cost increases have been in O&M and G&A and recommended that the DPU "look into these cost areas." The Overland Consulting audit included review of O&M and G&A costs included in the Wexpro Operator Service Fee (see next paragraph).

Overland Consulting was engaged by the Division as a consultant to investigate and audit the Wexpro Operator Service Fee for years 2009-2014. Overland's Report on the Wexpro Operator Service Fee was filed with the Commission on June 29, 2016, in Docket No. 13-057-07. As a result of the audit, an adjustment was made to the 191 Account in 2017. Additionally, accounting issues that were agreed to between parties were implemented for Calendar Year 2015 and beyond. The Division will verify that these changes have been made beginning with the 2015 audit and the agreed upon adjustment was posted to the 191 Account in 2017.

As requested by the Commission, the following third-party monitoring reports have been included with this memorandum. Accounting Monitor Report 2009 (CONF) – Exhibit A, Accounting Monitor Report 2010 (CONF) – Exhibit B, HydroCarbon Monitor Annual Report 2009 (CONF) – Exhibit C and HydroCarbon Monitor Annual Report 2010 (CONF) – Exhibit D. These are all of the third-party reports retained by the Division for the 2009 and 2010 audit periods. In future audit memorandums the Division will include the third-party reports for the applicable year of the audit.

CONCLUSION

It is the Division's judgment that the interim rates are just, reasonable and in the public interest. The Division recommends that the interim rates become final in Docket Nos. 08-057-23; 09-057-03; 09-057-12; and 10-057-09 and these items be closed.

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