State of Utah
Department of Commerce
Division of Public Utilities

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Memorandum

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Myunghee Sim Tuttle, Utility Analyst

Lane Mecham, Utility Analyst

Jeff Einfeldt, Utility Analyst

Date: June 19, 2018

Re: **Approval** Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah 191 Account for Calendar Years, 2011 and 2012 – Docket No. 10-057-17; 11-057-02; 11-057-08; and 12-057-02.

Recommendation (Approval)

The Division of Public Utilities (Division) finds that Questar Gas Company's (QGC) Account No. 191.1 of the Uniform System of Accounts (191 Account) in 2011 and 2012 is stated fairly and in conformance with prior Commission orders. Our findings are in conjunction with the Independent Accountants' 2011 and 2012 Performance Review of Wexpro, which has been issued, as well as review of the reports received from the HydroCarbon Monitor. The Division has completed its review and recommends that the rates become permanent in Docket Nos. 10-057-17; 11-057-02; 11-057-08; and 12-057-02, and these items be closed.

Issue

In Docket Nos. 10-057-17; 11-057-02; 11-057-08; and 12-057-02, the Commission ordered approval of rates on an interim basis until such time that the Division completes an audit of the 191 Account. The objective of our audit is to determine whether the costs included for recovery in the 191 Account are accurate, appropriate, and in compliance with previous orders[1] regarding the 191 Account issued by the Public Service Commission of Utah (Commission). The Division's audit[2] 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). The costs incurred under the Wexpro Agreement are currently examined and reported upon by an independent certified public accountant appointed as a "Monitor".

This memorandum reports and summarizes the results of the Division's audit of the 191 Account for fiscal years 2011 and 2012. The Summary of 191 Account Audit Procedures and Results for CY 2011 is attached to this memorandum as Exhibit A. The Summary of 191 Account Audit Procedures and Results for CY 2012 is attached to this memorandum as Exhibit B. In addition to Exhibit A and B, the following third-party monitoring reports are attached as Exhibit C, D, E, and F: Accounting Monitor Report 2011 (CONF) – Exhibit C, Accounting Monitor Report 2012 – Exhibit D, HydroCarbon Monitor Annual Report 2011 (CONF) – Exhibit E, and HydroCarbon Monitor Annual Report 2012 (CONF) – Exhibit F.

Background

In Docket No. 78-057-13, the Commission authorized Mountain Fuel Supply Company (now Dominion Energy Utah) to implement a purchase gas balancing account through Account 191. The 191 Account provides for pass-through recovery of costs in which the risk of changes in costs is borne by ratepayers.

[1] Commission's previous orders regarding the 191 Account is described in the "Background" section of this memorandum.

[2] 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.

The 191 Account consists of two components: a gas commodity cost and a Supplier Non-Gas Cost. Gas commodity costs include purchase gas costs offset by other revenues and Wexpro related costs and revenues associated with Company-owned gas. Supplier Non-Gas Costs include transportation, gathering and storage.

In addition, the 191 Account contains other gas-related expenses as ordered by the Commission. Other gas-related expenses currently allowed recovery through the 191 Account include gas supply litigation costs (Docket No. 95-057-21), the carrying cost of working storage gas (Docket Nos. 93-057-01 and 01-057-14), hedging costs (Docket Nos. 00-57-08 and 00-057-10), and bad debts related to commodity and supplier non-gas costs (Docket No. 01-057-14).

On January 6, 2006, the Commission issued its order in Docket Nos. 04-057-04, 09, 11, 13 and 05-057-01 dealing with the stipulation between the parties concerning costs associated with the processing of CO_2 in the QGC supply stream. The order approving the stipulation allows for the recovery, in the pass-through filings, of 90% of the non-gas costs QGC incurs for the processing or management of CO_2 in the gas supply, beginning in February 2005. The order also provides for the full recovery of the actual fuel used in the plant up to a limit of 360,000 Dth per year priced at QGC's weighted average cost of gas. Annual credits of revenue above $400,000 that are received from third party processors are also to be shared on a 50/50 basis with customers of QGC. The order also directed that these costs be allocated to the various rate classes based on the same percentages as those used in the general rate case Docket 02-057-02. QGC will not be charged CO_2 gas processing costs after February 1, 2008.

Discussion

The Division conducted an audit of the 191 Account for fiscal years 2011 and 2012. During the audit, the Division reviewed pass-through filings and the applicable interim rates. The applicable interim rates applied during 2011 were filed in pass-through Docket Nos. 10-057-17 and 11-057-02. The applicable interim rates applied during 2012 were filed in pass-through Docket Nos. 11-057-08 and 12-057-02.

The Division's audit focused on the net costs (costs offset by miscellaneous revenues) included in the 191 Account. The Division compared the costs and revenues included in QGC's 191

Account filing with the tariff and evaluated the 191 Account balances. The Division also reviewed and found the adjustments made in the 191 Account to be reasonable. QGC provided explanations for the adjustments.

The Division notes that incorrect demand percentages were applied to some months in 2011 and 2012 by QGC. The effect of the incorrectly applied demand percentages on the 191 Account balance was either immaterial or corrected by QGC within the same calendar year. The Division asked QGC for an explanation of this frequent error regarding the demand percentages.[3] In response to the Division's inquiry, QGC explained that it implemented a verification procedure in June of 2012 to increase accuracy in the 191 Account.

The Division found the 191 Account balances for both 2011 and 2012 are reasonable and substantially conform to the approved accounts and method of calculation. The Division proposes no adjustments in the 191 Account for 2011 and 2012.

Conclusion

The Division finds the costs in the 191 Account are prudent and in the public interest. The Division recommends that the interim rates become final in Docket Nos. 10-057-17; 11-057-02; 11-057-08; and 12-057-02.

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

[3] In the Matter of Division of Public Utilities Audit of Questar Gas Company's 2012 191 Account, DPU Data Request 6.02.