State of Utah

Department of Commerce
Division of Public Utilities

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Division 191 Account Audit Report

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director
Artie Powerll, Manager

Date: July 17, 2019

Re: **Division of Public Utilities Audit of Questar Gas Company's (now Dominion Energy Utah) 191 Account for Calendar Year 2016**, Docket No's. 15-057-11 and 16-057-05.

Recommendation (Approve Final Rates with an Adjustment)

The Division of Public Utilities (Division) has completed its review of Dominion Energy Utah's (DEU) Account No. 191.1 of the Uniform System of Accounts (191 Account) for the 2016 calendar year. DEU was previously known as Mountain Fuel and Questar Gas Company (QGC) prior to the merger with Dominion Energy in September 2016. The Division recommends an adjustment be made in the amount of ($15,022.74), which reduces Utah's share of costs. The Division also recommends the Commission make rates final in Dockets 15-057-11 and 16-057-05.

Issue

In Docket Nos. 15-057-11 and 16-057-05 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] 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 the 2016 calendar year. The Summary of 191 Account Audit Procedures and Results for CY 2016 is attached to this memorandum as Exhibit A (CONF). In addition to Exhibit A, the following confidential third-party monitoring reports are attached as Exhibits B, C and D: Exhibit B – HydroCarbon Monitor Report 2016 (CONF), Exhibit C – Wexpro Accounting Monitor Report 2016 (CONF), and Exhibit D – Wexpro II Accounting Monitor Annual Report 2016 (CONF).

Background

In Docket No. 78-057-13, the Commission authorized Mountain Fuel Supply Company (now DEU) to implement a purchased 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.

The 191 Account consists of two components: a gas commodity cost and a Supplier Non-Gas Cost. Gas commodity costs include purchased 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.

[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.

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 the calendar year of 2016. During the audit, the Division reviewed pass-through filings and the applicable interim rates. The applicable interim rates applied during 2016 were filed in pass-through Docket Nos. 15-057-11 and 16-057-05.

During the Division's audit of 2014 it identified a lag in applying the demand percentage to applicable costs when allocating costs to Utah. The Commission approved the Company's recommendation to continue a one month lag in their application of demand percentages. During the 2016 audit the Division discovered that demand percentages had been applied without a lag, on the effective date in the applicable docket. The Division inquired with the Company about this inconsistency and how it proposed to treat this change. The Company responded by saying that a lag in the effective date was still the most appropriate method and they proposed to adjust the balance as if it had a one month lag. The Division's calculation of this lag creates an adjustment in the amount of ($15,022.74), which is a reduction to Utah's share of gas costs.

Conclusion

The Division recommends an adjustment be made for ($15,022.74), which is a reduction to Utah's share of gas costs. This is the result of a misapplied demand percentage in November of 2016. The Division also finds that, with the inclusion of the proposed adjustment, costs in the 191 Account comply with Commission approved calculations and are just, reasonable, and in the public interest. The Division recommends the Commission make rates final in Docket Nos. 15-057-11, and 16-057-05.

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