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Dominion Energy®

October 24, 2017

Heber M. Wells Building
P. O. Box 45585
Salt Lake City, UT 84145-0585

Re: Docket No. 17-057-05, In the Matter of Dominion Energy Utah's Quarterly Integration Progress Reports

Dear Commissioners:

The Company respectfully submits these reply comments to the Division's Action Request Response regarding Docket No. 17-057-05 dated October 10, 2017. In its response, the Division raises a number of questions and issues and the Company addresses these questions and provides further information in the paragraphs below.

Exhibit Numbering

On page 2 of its response the Division recommends that the items included in the integration reports should have the same numbering sequence. They cite, as an example, the fact that Exhibit 8 and Exhibit 12 both include similar transition/transaction cost data and Exhibit 9 and Exhibit 13 both contain O&M and A&G cost information. The Division states that consistent exhibit numbering would help avoid confusion. When the Company began preparing these reports, the intent was to create sequential exhibits, so at the end of the three year period, parties would have a complete record of all of the information. Each exhibit creates a chronology of the integration of the Company, (i.e., they build upon one another). The most recent exhibit contains the most up-to-date information.

The Division also points out that Exhibit 8 was filed as Exhibit H with the PSC. The Company filed this exhibit as Exhibit 8, and there is nothing in the Company filing to indicate that it should be filed as Exhibit H. The numbering of exhibits using letters is a Commission preference and is consistent with Commission practice in other dockets.

DEU Exhibit 12 (Transaction and Transition costs YTD)

On page 2 of its report, the Division recommends that the Company include cost allocation for each cost center for both the current year and the total costs for each entity since the merger. Going forward, the Company will provide the total of all transaction and transition costs since the merger.

On page 4 of its report, the Division questions the $152,826 in Other Non DM costs and states that they cannot be clearly identified to a specific entity. These costs are related to the former Questar Pipeline subsidiaries that were not dropped into the Dominion Midstream master limited partnership. These entities include Questar Southern Trails Pipeline, Questar Infocomm, Questar Energy Services and Questar Project Employment Company.

The Division also notes the Questar Fueling related costs in the first quarter report, and states that the Division is unable to determine the operating entity where these costs were allocated. These costs were held at the Questar Fueling cost center and included in the 2016 annual costs for Questar Fueling. As Questar Fueling no longer exists, there were no 2017 costs included in the second quarter integration report.

The Division also questions where the Dominion Questar Corporation costs have been allocated because the Division understands that Dominion Questar Corporation was dissolved after the merger. While the majority of employees and costs in Questar Corporation have been moved to other business units, Dominon Questar will continue to exist as a legal entity. Provision 1 of the merger stipulation states, "[a]fter the time the Merger is effective as defined in the Merger Agreement ("Effective Time"), Questar Corporation will become a wholly-owned subsidiary of Dominion that will continue to exist as a separate legal entity (herein referred to as "Dominion Questar"."

The Division asks for verification that the transaction and transistion costs have not been re-allocated to Questar Gas through corporate overhead charges. The transaction and transition costs related to the merger have been accounted for on the Dominion Questar books and have not been allocated to Dominion Energy Utah. As a result, these costs will have no impact on customer costs.

DEU Exhibit 15 (Wexpro financial reports)

The Division points out a difference between the Merger and Restructuring costs of $12.3 million on the Wexpro financial statements and the $10.6 million reported as transaction/transition costs in Exhibit 8. The Division states it is unclear why the financial reporting has identified the additional amount as merger related cost and the regulatory reporting has not. The Wexpro financial statements have combined merger and restructuring costs on one line of the income statement. This is what has caused the Division's confusion. The restructuring costs were related to a voluntary severance program that Wexpro had offered employees that were unrelated to the merger. The table below summarizes how the costs were reported.

Report	Costs Description	Merger Costs	Restructuring	Total
Wexpro Financial Statements	Merger and Restructuring	$10.6	$1.7	$12.3
Exhibit 8	Transition/ Transaction	$10.6	$0	$10.6

It should be noted that all Wexpro costs, both merger and restructuring related, were booked below the line and had no impact on customer costs.

DEU Exhibit 16

The Division notes that the FERC Form 2 is significantly different from the SEC Form 10-K and 10-Q, and observes that the Company has not provided supporting financial reports to verify DEQP transaction/transition costs. Paragraph 50 of the merger stipulation requires Dominion Questar Gas will make annual financial statements for Wexpro and DEQP available to regulators. The Company believes that the FERC Form 2 meets this requirement because it includes all necessary financial statements (Income Statement, Balance Sheet and Cash Flow Statement) that are certified by a Company officer. Not only does the Form 2 provide more detailed financial information than the 10-K and 10-Q, but it also provides the added benefit of standalone financial statements for Dominion Energy Questar Pipeline (DEQP). This is something the 10-K and 10-Q never provided because they were consolidated and included the financial information for InfoComm, Overthrust, Questar Energy Services (QES), Questar Southern Trails Pipeline and Questar Transportation Services (QTS). The Company believes that with some additional familiarity with the Form 2 the Division and other interested parties can find the necessary financial information for Dominion Energy Questar Pipeline.

The Division also observes that the transaction costs for Questar Pipeline cannot be verified with the information provided in the FERC Form 2. A more detailed summary of the costs shown on DEU Exhibit Column A, line 19 is shown in the table below.

Business Unit	Transaction/Transition Costs	Notes
Info-comm	$17,780	
Questar Pipeline	$11,354,442	See Form 2 page 340
Overthrust	$1,591,309	See Form 2 page 340
Southern Trails	$385,233	
QES	$425,685	
QTS	$115,570	
Total	$13,890,019	

As the exhibit shows, there are $11,354,442 in costs related to Questar Pipeline. This number is shown in the FERC Form 2 on page 340 lines 2-3. The Company will provide this additional breakout of transaction/transition costs by entity in future filings.

DEU Exhibit 13

The Division highlights footnote 1 on Exhibit 13 and states that it is unclear why all of the DRS A&G costs have not been included. The reason that DES is not fully allocating A&G costs to the Questar entities is due mainly to the financial systems. Dominion uses the SAP accounting system and the old Questar entities use the Peoplesoft accounting system. In order for full allocations to take place, the accountants must build all of the allocations in the accounting systems. Dominion had two options: it could build all of the allocations in Peoplesoft, integrate accounting systems and rebuild the allocations in SAP, or it could forego allocations until the systems are integrated and build all of the allocations in SAP. In an effort to streamline the integration process and efficiently use employee time, it was determined to integrate systems and then build allocations. It should be noted that the delay in fully allocating A&G costs is a benefit to customers because it results in lower costs in 2017.

The Division also questions when the DRS A&G allocations will be available. The Company plans to be fully integrated and begin fully allocating corporate overhead costs in 2018.

The Division also points out that it appears that Questar Pipeline is receiving a full allotment of A&G expense. Dominion Energy Questar Pipeline is not currently receiving a full allotment of DRS costs. Line 21 should have been marked with footnote 1 stating that the administrative and general expenses do not include a full allocation of costs from DRS. This was an oversight by the Company.

The Division also observes that due to the lack of verifiable financial reporting for Questar Pipeline the Division cannot validate the cost identified on lines 17 through 22 in Exhibit 13. The Form 2 filed by the Company in Exhibit 16 does have verifiable information. The table below provides a reconciliation of the data provided in Exhibit 13 and the FERC Form 2.

	Amount	FERC Form 2	Exhibit 13
Production Expenses	($9,549,590)	Page 320, line 97	Line 17
Storage	$12,578,992	Page 321, line 125	Line 18
Transmission	$32,066,699	Page 323, line 201	Line 19
Customer Service	$41,813	Page 325, line 244	Line 20
A&G Expense	$24,583,605	Page 325, line 267	Line 21

In an effort to make it easier to audit in the future, the Company will footnote these lines in future reports.

DEU Exhibit 14

The Division discusses the Customer Satisfaction Standards Report and the areas where the Company is deficient. The Company has met with the Division and Office to discuss the issues of concern mentioned by the Division and the steps it is taking to remedy the problem.

The Division recommends that the Company present a technical conference to the Commission. The Company is always willing to provide additional information to the Commission, if it feels a technical conference would be beneficial.

Conclusion

The Company agrees that the integration progress reports are for informational purposes and do not require Commission action. The Company believes that the DEQP Form 2 provides adequate financial information for regulators to review the costs of (DEQP). Should the Commission deem it useful, the Company will provide additional information on the customer service metrics in a technical conference.

Respectfully Submitted,

Kelly B. Mendenhall
Director
Pricing and Regulation

cc: Division of Public Utilities
Office of Consumer Services