State of Utah

Department of Commerce
Division of Public Utilities

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Action Request Response

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant

Eric Orton, Utility Technical Consultant

Date: September 5, 2019

Re: Action Request Response and Comments Regarding 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 first quarter of 2019 submitted by Dominion Energy Utah (Gas Utility).

Issue

On August 6, 2019, the Gas Utility submitted its 1st Quarter 2019 Integration Progress Report. On that same date, the Commission issued an Action Request to the Division with a due date of September 5, 2019. Additionally, on August 7, 2019, the Commission issued a Notice of Filing and Comment Period stating that comments on the IPR are due to the Commission by September 5, 2019 with reply comments due by September 20, 2019.

These are the Division's comments and its 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. As part of that order, Paragraph 36 of the joint stipulation was adopted, which 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 is to monitor and report the integration activity and the costs associated with the Applicants' acquisition, not to justify such costs nor to seek cost recovery.

Discussion

First Quarter 2019 Report

Each progress report has provided information that the Gas Utility purports to show that it is meeting its merger commitments and provide the Commission with information regarding the merger. With each IPR the Gas Utility has numbered its exhibits consecutively. With the last report (4th quarter 2018), the Gas utility included eight exhibits. With this report, the Gas Utility included one exhibit, Exhibit 47.

Exhibit 47. Dominion Energy Utah/Wyoming's Customer Satisfaction Standards Report (CSSR) for the 1st quarter of 2019.

In this metric the parties agreed that "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 Gas Utility acknowledged deficiencies in its customer satisfaction standards and stated that it is implementing corrective action by hiring and training more customer service representatives and replacing the transponders on its service meters.

The Division notes that in the 2nd quarter 2018 IPR, the Gas Utility stated that it "should be fully staffed in the fourth quarter" and that the transponder replacement program "is scheduled to be complete in 2019." The Gas utility revised these projections last quarter by its statement that the customer service areas would be back in compliance "by the end of the 2nd quarter of 2019" and that "the transponder replacement program is expected to be complete in 2020". In this filing, the Gas Utility states, "The transponder replacement program is still expected to be completed in 2019." However, in the current general rate case there is money projected to replace transponders in 2020. Given the conflicting evidence, it is uncertain when the Gas Utility expects to complete its transponder replacement program. The Gas Utility should provide clarity and certainty as to the date the transponder replacement will be completed and paid for, as well as when the customer service areas will be fully staffed, trained and operating such that they meet their metrics. Adjustments to Dominion's request in its general rate case may be warranted based on these assertions.

Specifically, the Gas Utility's CSSR deficiencies are:

Billing Metric

#1 read each meter monthly.

With a goal of 99% of the meters read each month, the Company has fallen short for quite some time. The percentage of actual meters read was 93.8% for the fourth quarter of 2017 and 94.1% for the fourth quarter of 2018. The first quarter of 2019 made a half percent improvement to 94.6%. The Gas Utility is making slow but relatively steady progress. However, the Division has become aware that there are many customers who have had their Gas Utility bill estimated for several months in a row, which is making this metric less likely to be achieved until that problem is resolved as well.

#5 response time to investigate meter problems and notify customer within 15 business days.

This metric shows that the Gas Utility is significantly short of meeting its standard (95%) with only 82% of the time meeting this goal in the first quarter of 2019. It is interesting that last quarter it was meeting the goal, but has since fallen 13% in just the last few months, which may indicate that there is some other problem(s) that may need to be addressed besides replacing transponders.

The Gas Utility states that "Both of these are related to the transponder issues that were explained in the January 6th technical conference." The Division is hopeful that both of these metric will improve significantly as the transponders are replaced. It should be evident shortly if the transponder replacement is the actual solution.

Other than these two deficiencies, the Gas Utility is meeting its CSSR goals.

It is possible (although not certain) that these CSSR deficiencies are not a direct result of the merger and could be considered normal business problems. However, the timing of these deficiencies and the deficiencies themselves do cause the Division concern as, since the merger, senior employees take severance packages, employees are transferred or leave and headcount is reduced, possibly resulting in poorer customer relations. The Division expects to state its opinion on this issue in the current general rate case.

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 are 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. The quarterly filing does not require

Commission acknowledgement or approval but is intended to flag any changes that may occur that could affect rates, customer service, or system reliability.

The Division also notes that this recommendation should not be construed in any way as an endorsement or preapproval that these costs or actions are prudent, necessary, or in the public interest. These quarterly reports will still need to be filed by the Gas Utility until the conclusion of the current general rate case. The Gas Utility's letter and attachment meet the requirements for this report.

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