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Department of Commerce Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Brenda Salter, Utility Technical Consultant Supervisor

Jeff Einfeldt, Utility Technical Consultant

Date: November 23, 2020

Re: **Docket No. 20-057-13**, Division of Public Utilities review of Dominion Energy Utah's Affiliate Transactions Report for the year ended December 31, 2019.

Recommendation (Acknowledge Report)

The Division of Public Utilities ("Division") reviewed Dominion Energy Utah's ("DEU") Affiliate Transactions Report ("Report") for the Year Ended December 31, 2019 and determined the report complies with the Commission's order Memorializing Bench Ruling Approving Settlement Stipulation, dated September 14, 2016, in Docket No. 16-057-01, and the Stipulation (paragraph 45) attached thereto. The Division reviewed transactions from major affiliates and compared trends to prior years. The Division found no evidence that terms and pricing in these transactions are not at the lower of cost or market, or otherwise not in the public interest. The Division recommends the Commission acknowledge the report.

Issue

On July 2, 2020, the Public Service Commission (“Commission”) issued an Action Request for the Division to review DEU’s Affiliated Transaction Report with an original due date of July 31, 2020. The Division required additional time to complete the review and requested an extension to November 24, 2020. This is the Division’s response to the Commission’s Action Request.

Analysis

In the absence of a Utah statute defining affiliated interests, the Division follows those found in Oregon, Washington, and California for guidance. Affiliated interests of DEU are defined by Oregon Revised Statutes 757.015, Revised Code of Washington 80.16.010, and California Public Utilities Commission Decision 97-12-088, as amended by Decision 98-08-035, as having two or more officers or Directors in common with DEU or by meeting the ownership requirements of five percent direct or indirect ownership.

The purpose of the DEU Affiliate Transactions Report is to inform the Commission of the current subsidiaries and affiliates associated with DEU, including a brief narrative of the operations of each affiliate including officers and directors in common, the services received and provided, and certain financial information. Although DEU provides retail natural gas service to certain affiliates within its service territory, such transactions are excluded from this report because they are billed at tariff rates.

The Division, at the direction of the Commission, reviews the extent affiliates actually exercise any substantial influence over the policies and actions of DEU.

Types of Services

The DEU affiliate transactions are of two kinds: 1) the administrative services provided and received that are covered by Intercompany Administrative Services Agreements (“IASA”); and 2) the tangible goods and services provided and received outside the IASA.

IASA Services

The services provided and received under the IASA are billed and payments are made according to the IASA agreement. The Division was provided more detailed summaries of these transactions and reviewed these additional summaries for reasonableness. IASA services received for 2019 were \$74.47 million representing an increase from 2018 of \$9.5 million (14.6% increase). An increase of \$9.3 million of services received from Dominion Energy Services for 2019 represents the substantial portion of the overall increase of IASA services received for the year.

IASA services provided in 2019 totaled \$13.24 million, an increase of \$3.98 million from the prior year. Services provided to DEQ Corp. increased by \$1.2 million for the year, of which \$1.05 million relates to the conversion of a building capital lease to an operating lease. Services provided to DEQ Pipeline Services Inc. increased by \$1.7 million for the year, and services provided to Dominion Energy Services increased by \$1 million for the year, both of which relate primarily to fleet management. These three areas account for the substantial portion of the total increase of IASA services provided for 2019 as compared to 2018.

Total IASA services received and provided in 2019 increased \$13.49 million from the prior year to \$87.7 million, representing an increase of 18.1%. The billings and payments follow the procedures set forth by the IASA at paragraphs 2 and 3, and provide assurance these transactions are billed at cost. The Division did not observe any indication of undue negative or positive financial impact to DEU as a result of these transactions.

Non-IASA Services

The non-IASA services are tangible goods and services exchanged between DEU and the respective affiliate. Overall, non-IASA transactions for 2019 decreased by \$19.8 million to \$327.9 million, compared to a decrease in 2018 of \$45 million. Affiliates providing and/or receiving material amounts of non-IASA services are discussed below.

Dominion Energy Questar Pipeline Co.

Dominion Energy Questar Pipeline Co. is a sister company to DEU and provides natural gas transportation service to the Utility's system and natural gas storage service. Services received total \$75.9 million and represent approximately 23.1% of the total non-IASA goods and services received for 2019. This represents a \$1.4 million increase (1.91%) from the prior year. The associated contracts and costs are reviewed during rate cases and other actions, therefore, the Division conducted no additional detailed review or investigation of these costs related to this report.

Wexpro

Wexpro is a wholly-owned subsidiary of Dominion Energy Questar, a wholly-owned subsidiary of Dominion Energy. Wexpro develops and produces cost-of-service reserves for the gas utility under the terms of the Wexpro Agreement and comprehensive agreements with the state of Utah and Wyoming. Wexpro engages in the exploration, development and operation of natural gas wells for the benefit of DEU and its ratepayers and is the primary source of the natural gas sold to DEU's customers. The non-IASA payments for goods and services for 2019 decreased by \$15.3 million from the prior year to \$202.3 million. This represents a decrease of 7% from the prior year. This decrease appears to be in line with the expected normal depletion of the existing wells governed by the original Wexpro agreement. This cost represents 61.7% of total non-IASA services received. These transactions are subject to Commission order dated December 31, 1981 approving a settlement agreement regarding transfer of natural gas assets to Wexpro. These costs are reviewed during rate cases and other actions, therefore the Division conducted no additional detailed review or investigation of these costs related to this report.

Wexpro II

Services received under the Wexpro II agreement also represent costs related to the exploration, development and operation of natural gas wells resulting in natural gas sold to DEU, which is then sold to its customers. Non-IASA goods and services received from Wexpro II for 2019 decreased by \$5.9 million to \$49.6 million and represent 15.1% of total non-IASA goods and services. These transactions are governed by the Wexpro II agreement approved by the

Commission in Docket No. 12-057-13 dated March 28, 2013. These costs are also reviewed during rate cases and other actions, therefore the Division conducted no additional detailed review or investigation of these costs related to this report.

Conclusion

The Division completed the review of the Affiliate Transactions Report and the associated information. As a result of this review the Division found:

1. Active affiliated interest relationships exist between DEU and the reported entities.
2. The appropriate affiliate transactions' information has been provided to the Division upon request to the Company.
3. The activity between the affiliates as reported in the filing does not appear to be adverse to the public interest.

This concludes the Division's report and response to the Action Request from the Commission. The Division recommends the Commission acknowledge DEU's Affiliate Transactions Report for the year ended December 31, 2019.

Cc: Kelly B. Mendenhall, DEU
Michele Beck, Office of Consumer Services