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UTAH 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

Chris Parker, Director
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Jeff Einfeldt, Utility Technical Consultant

Date: November 15, 2023

Re: **Docket No. 23-057-11**, Division of Public Utilities review of Dominion Energy Utah's Affiliate Transactions Report for the year ended December 31, 2022.

Recommendation (Acknowledge)

The Division of Public Utilities ("Division") reviewed Dominion Energy Utah's ("DEU") Affiliate Transactions Report ("Report") for the Year Ended December 31, 2022, and determined the report complies with the Utah Public Service Commission's ("Commission") 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 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 June 29, 2023, the Commission issued an Action Request for the Division to review DEU's Affiliate Transactions Report with a due date of November 30, 2023. This is the Division's response to the Commission's Action Request.

Division of Public Utilities

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Discussion

In the absence of a Utah statute defining affiliated interests, the Division considers those found in Oregon, Washington, and California for guidance. Affiliated interests 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 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 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. Services received for 2022 under IASA were \$52.48 million, representing a decrease from 2021 of \$3.08 million (5.6% decrease). The majority of this decrease is related to Dominion Energy Questar Pipeline (“DEQ Pipeline”) and related matters. Dominion Energy sold the pipeline to a third party at the end of 2021. IASA services provided in 2022 totaled \$5.36 million, a slight increase from 2021’s total of \$5.08 million.

Total IASA services in 2022, the combination of both received and provided services, decreased by \$2.8 million from the prior year to \$57.8 million, representing a decrease of 4.6%. The billings and payments follow the procedures set forth by the IASA in 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.

The sale of DEU Pipeline and its affiliates to Southwest Gas at the end of 2021 accounts for a significant portion of the variance in the trend of affiliated transaction activity in 2022 compared to 2021. (See page 31 of DEU's 2021 Affiliate Transaction Report for a list of companies sold).

Non-IASA Services

The non-IASA services are tangible goods and services exchanged between DEU and the respective affiliate. Overall, non-IASA transactions for 2022 decreased by \$40.2 million to \$265.9 million, continuing a decreasing trend of \$10.4 million in 2021, \$11.4 million in 2020, \$19.8 million in 2019, and \$45 million in 2018. Affiliates providing material amounts of non-IASA services are discussed below. No affiliates received non-IASA services. The \$40.2 million decrease in non-IASA services is due to the sale of DEQ Pipeline in 2021 (\$80.6 million of services during 2021).

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 states 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 2022 increased by \$26.8 million from the prior year to \$205.8 million. This represents an increase of 14.96% from the prior year. The increase in 2022 is due primarily to the increase in cost for a unit of natural gas, which also increased royalty payments to third parties. This cost represents 77.4% of the total non-IASA services received. These transactions are subject to a Commission order dated December 31, 1981,

approving a settlement agreement regarding the 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 2022 increased by \$13.6 million to \$60.1 million and represent 22.6% 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 transaction information has been provided to the Division by the Company upon request.
3. The activity between the affiliates does not appear to be averse to the public interest.

The Division recommends the Commission acknowledge DEU's Affiliate Transactions Report for the year ended December 31, 2022.

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