

DIRECT TESTIMONY AND EXHIBITS OF

DANIEL F. SULLIVAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-5-G

IN RE: ANNUAL REVIEW OF PURCHASED GAS ADJUSTMENT AND

GAS PURCHASING POLICIES OF

DOMINION ENERGY SOUTH CAROLINA, INCORPORATED

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the State of South Carolina as the Director of the Audit Department for the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Accounting from the University of South Carolina in December 1998. In February 2005, I began my employment with ORS and since then have participated in cases involving the regulation of telecommunications, electric, natural gas, radioactive waste disposal, and water and wastewater utilities.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA?

A. Yes. I have previously testified before the Commission on cases involving the regulation of radioactive waste disposal, natural gas, electric, water and wastewater.

1 **Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

2 **A.** ORS represents the public interest as defined by the South Carolina General
3 Assembly as:

4 [T]he concerns of the using and consuming public with respect to
5 public utility services, regardless of the class of customer, and
6 preservation of continued investment in and maintenance of utility
7 facilities so as to provide reliable and high-quality utility services.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 **A.** The purpose of my testimony is to present ORS Audit Department’s findings and
10 recommendations resulting from our examination of the Dominion Energy South
11 Carolina, Incorporated (“Company”) Purchased Gas Adjustment (“PGA”) for the year
12 ended July 31, 2020 (“Review Period”). In Docket No. 87-426-G, Order No. 87-898,
13 dated August 14, 1987, the Public Service Commission of South Carolina
14 (“Commission”) instituted an annual examination of the PGA and Gas Purchasing
15 Policies of the Company. In accordance with the above referenced Order, ORS Audit
16 Department examined the Company’s PGA for the Review Period.

17 **Q. WHAT ARE THE MOST RECENT COST OF GAS FACTORS FILED WITH
18 THIS COMMISSION?**

19 **A.** In PGA Docket No. 2006-5-G, Order No. 2006-679, dated November 13, 2006,
20 the Company was authorized to adjust its cost of gas factors on a monthly basis for a
21 “material difference” defined as \$0.01, or more, per therm in any cost of gas factor
22 beginning with the first billing cycle of each month. In Docket No. 2009-5-G, Order No.
23 2009-910, dated December 29, 2009, the amount designated as a “material difference”
24 was increased to an amount greater than \$0.04 per therm. During the Review Period the

1 Company's Demand Cost of Gas factors ("DCOG") and Commodity Cost of Gas factors
2 ("CCOG") were adjusted during the months of February, May and July 2020. The
3 Company's beginning and ending DCOG and CCOG during the Review Period were as
4 listed below:

<u>DCOG Per Therm</u>	<u>As of August 1, 2019</u>	<u>As of July 31, 2020</u>
Residential	\$0.30055	\$0.36793
Small/Med. General Service	\$0.17839	\$0.20862
Large General Service	\$0.30011	\$0.31835
<u>CCOG Per Therm</u>	\$0.32804	\$0.24601

10 **Q. DID ORS CONDUCT AN EXAMINATION OF THE COMPANY'S PGA**
11 **(OVER)/UNDER COLLECTION CALCULATIONS?**

12 **A.** Yes. ORS examined the Company's cumulative PGA (over)/under collection
13 calculations for the Review Period and traced amounts to the books and records of the
14 Company.

15 **Q. IN CONNECTION WITH YOUR TESTIMONY, DID YOU PREPARE, OR**
16 **CAUSE TO BE PREPARED, CERTAIN EXHIBITS?**

17 **A.** Yes. Audit Exhibit DFS-1 through Audit Exhibit DFS-3 are attached to my
18 testimony.

19 **Q. WHAT IS INCLUDED IN AUDIT EXHIBIT DFS-1, PURCHASED GAS**
20 **ADJUSTMENT (OVER)/UNDER COLLECTION?**

21 **A.** Audit Exhibit DFS-1 presents, for each month of the Review Period, the
22 components which comprise the cumulative PGA (over)/under collection. These
23 components are:

1 **Commodity (Over)/Under Collection** – These amounts represent the difference in the
2 Company’s actual firm commodity costs, on a monthly basis, compared to the firm
3 commodity benchmark PGA filings during the Review Period. The commodity
4 (over)/under collection for the Review Period decreased the under collection by
5 \$9,408,320.

6 **Demand (Over)/Under Collection** – These amounts represent the difference in the
7 actual demand charges incurred by the Company as compared to demand charges billed
8 and collected from customers. The demand (over)/under collection for the Review
9 Period increased the under collection by \$5,612,632.

10 **Uncollectibles – Commodity Only** – In Order No. 2006-679, the Company was
11 authorized to recover its uncollectible gas costs through the commodity cost of gas,
12 beginning with the first billing cycle in November 2007. This process allows the
13 Company to recover the correct amount of uncollectible gas cost expense that it has
14 actually incurred. Uncollectible gas cost expense for the Review Period increased the
15 under collection by \$99,140.

16 **Unbilled Revenue Adjustments** – In compliance with Order No. 2009-910, the
17 Company converted the PGA administration process from a cycle-month sales
18 calculation basis to a calendar month sales calculation basis. This process is more
19 effective and precise in matching calendar month gas costs with the calendar month gas
20 sales. Unbilled revenue adjustments were applied to the demand component of the cost
21 of gas factor. The net unbilled revenue adjustment for the Review Period increased the
22 under collection by \$90,987.

1 **Interest/Carrying Cost** – In accordance with Order No. 2006-679, carrying cost is
2 computed using the rate of interest, as of the first day of each month, for 10-year U.S.
3 Government Treasury Bills plus an all-in spread of 65 basis points, not to exceed 6% and
4 shall not be applied to (over)/under collection balances in excess of \$20 million. The
5 computed carrying costs for the Review Period increased the under collection by
6 \$135,783. The interest rates used to calculate carrying costs during the Review Period
7 have been verified to those in the Wall Street Journal on the first published day of each
8 month.

9 **Q. WHAT IS INCLUDED IN AUDIT EXHIBIT DFS-2, INTERSTATE STORAGE**
10 **INVENTORY ACTIVITY?**

11 **A.** Audit Exhibit DFS-2 shows the detail of gas held in interstate pipeline storage
12 facilities during the Review Period. ORS has verified injections and withdrawals, by
13 month, for each of the storage facilities on the Southern and Transco interstate pipelines.
14 The Southern system’s Contract Storage Service (“CSS”) has two facilities: Muldon,
15 located in Prairie County, Mississippi and Bear Creek, located in Bienville Parish,
16 Louisiana. The Transco system has four facilities: General Storage Service (“GSS”)
17 located in Potter and Clinton counties, Pennsylvania; Eminence Storage Service (“ESS”)
18 located in Covington County, Mississippi; a Liquefied Natural Gas Storage Service
19 (“LG-A”) located in Carlstadt, New Jersey; and Washington Storage Service (“WSS”)
20 located in St. Landry Parish, Louisiana. For the Review Period, total storage injections
21 were 4,888,359 dekatherms at a total cost of \$10,069,724 which converts to a weighted
22 average injection rate of \$2.06 per dekatherm. Withdrawals totaled 5,578,411
23 dekatherms at a total cost of \$14,908,168 which converts to a weighted average

1 withdrawal rate of \$2.67 per dekatherm. Total interstate pipeline storage inventory at
2 July 31, 2020 equaled 3,977,292 dekatherms with a total cost of \$8,927,035 or weighted
3 average cost of \$2.24 per dekatherm.

4 **Q. WHAT IS INCLUDED IN AUDIT EXHIBIT DFS-3, LNG INVENTORY**
5 **ACTIVITY?**

6 **A.** Audit Exhibit DFS-3 details, by month, total Liquefied Natural Gas (“LNG”)
7 inventory activities for the Company’s Salley and Bushy Park facilities. ORS has
8 verified these inventories to the books and records of the Company. This exhibit
9 summarizes all the activity affecting LNG inventory including boil-off, vaporization,
10 liquefaction, additional supply trucked in to Salley, derime gas, gas lost to atmosphere,
11 volume adjustments, and direct costs capitalized. Capitalized costs at both facilities
12 consist mostly of expenses associated with the liquefaction capability at the Bushy Park
13 facility. LNG inventory on July 31, 2020 totaled 1,530,120 dekatherms at a total cost of
14 \$5,366,599 or a weighted average cost of \$3.51.

15 **Q. WHAT IS THE STATUS OF THE COMPANY’S HEDGING PROGRAM?**

16 **A.** Commission Order No. 2012-39 issued January 12, 2012, suspended the
17 Company’s hedging program. The last of the Company’s outstanding hedges settled on
18 January 10, 2013.

19 **Q. WHAT ARE ORS’S FINDINGS REGARDING THE COMPANY’S PGA**
20 **(OVER)/UNDER COLLECTION?**

21 **A.** Based on our examination, it is the opinion of ORS that the Company’s PGA
22 under collection at July 31, 2020 of \$11,214,096, shown on Company Witness Elliott’s
23 Exhibit No. ____ (RRE-1), is accurately stated.

1 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
2 **BECOMES AVAILABLE?**

3 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
4 testimony should new information not previously provided by the Company, or other
5 sources, becomes available.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A.** Yes, it does.

**DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2020-5-G
PURCHASED GAS ADJUSTMENT (OVER)/UNDER COLLECTION
FOR THE TWELVE MONTHS ENDED JULY 31, 2020**

	2019					2020							Total
	August	September	October	November	December	January	February	March	April	May	June	July	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Beginning Balance	14,683,872	16,150,232	15,782,344	20,750,053	20,810,520	12,843,400	3,016,096	1,541,198	2,930,713	6,089,932	8,001,330	10,688,049	
Commodity (Over)/Under Collection	(1,121,297)	(577,580)	(260,435)	3,905,041	(1,092,333)	(2,209,139)	(969,945)	(3,720,283)	(707,844)	(627,019)	(698,045)	(1,329,441)	(9,408,320)
Demand (Over)/Under Collection	2,432,646	484,189	5,366,587	(423,285)	(3,186,927)	(4,400,871)	(3,072,598)	(1,653,182)	2,885,510	2,493,314	2,831,996	1,855,253	5,612,637
Uncollectibles-Commodity Only	10,225	2,584	(769)	(5,316)	1,009	2,794	4,215	14,349	24,986	27,084	11,310	6,669	99,140
Unbilled Revenue Adjustment	115,862	(307,600)	(137,674)	(3,415,973)	(3,715,890)	(3,225,582)	2,561,186	6,745,533	950,027	9,294	529,536	(17,732)	90,987
Ending Balance Before Interest	16,121,308	15,751,825	20,750,053	20,810,520	12,816,379	3,010,602	1,538,954	2,927,615	6,083,392	7,992,605	10,676,127	11,202,798	
Interest/Carrying Cost	28,924	30,519	-	-	27,021	5,494	2,244	3,098	6,540	8,725	11,922	11,296	135,783
Ending Balance	16,150,232	15,782,344	20,750,053	20,810,520	12,843,400	3,016,096	1,541,198	2,930,713	6,089,932	8,001,330	10,688,049	11,214,094	
Interest Rate	2.153%	2.325%	2.344%	2.820%	2.530%	2.190%	1.750%	1.270%	1.290%	1.310%	1.340%	1.210%	

Purchased Gas Adjustment (Over)/Under Collection as of 7/31/20 \$ 11,214,094

**DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2020-5-G
INTERSTATE STORAGE INVENTORY ACTIVITY
FOR THE TWELVE MONTHS ENDED JULY 31, 2020**

TOTAL INTERSTATE PIPELINE STORAGE

	Injections			Withdrawals			Balance			
	DT's #	Price \$	Amount \$	DT's #	Price \$	Amount \$	DT's #	Amount \$	Wtd. Cost \$	
Beg. Bal.							4,667,344	13,765,479	2.94932	
Aug-19	456,603	2.19476	1,002,134	(184,095)	2.91182	(536,051)	4,939,852	14,231,562	2.88097	
Sep-19	284,628	2.33965	665,930	(225,369)	2.83567	(639,073)	4,999,111	14,258,419	2.85219	
Oct-19	165,994	2.46689	409,489	(329,460)	2.80372	(923,715)	4,835,645	13,744,193	2.84227	
Nov-19	399,860	2.65886	1,063,171	(885,259)	2.79569	(2,474,909)	4,350,246	12,332,455	2.83489	
Dec-19	591,628	2.42832	1,436,663	(1,042,823)	2.78523	(2,904,507)	3,899,051	10,864,611	2.78648	
Jan-20	494,959	2.12239	1,050,497	(619,184)	2.73308	(1,692,280)	3,774,826	10,222,828	2.70816	
Feb-20	611,435	1.88904	1,155,024	(865,626)	2.64999	(2,293,899)	3,520,635	9,083,953	2.58020	
Mar-20	587,958	1.83713	1,080,157	(497,655)	2.50175	(1,245,009)	3,610,938	8,919,101	2.47002	
Apr-20	51,717	1.66982	86,358	(561,822)	2.39449	(1,345,278)	3,100,833	7,660,181	2.47036	
May-20	302,903	1.83442	555,651	(217,551)	2.36799	(515,158)	3,186,185	7,700,674	2.41689	
Jun-20	510,319	1.74687	891,463	(83,573)	2.30038	(192,250)	3,612,931	8,399,887	2.32495	
Jul-20	430,355	1.56426	673,187	(65,994)	2.21291	(146,039)	3,977,292	8,927,035	2.24450	
	<u>4,888,359</u>	<u>2.05994</u>	<u>10,069,724</u>	<u>(5,578,411)</u>	<u>2.67248</u>	<u>(14,908,168)</u>				
Total Interstate Pipeline Storage as of 7/31/20								<u>3,977,292</u>	<u>8,927,035</u>	<u>2.24450</u>

**DOMINION ENERGY SOUTH CAROLINA - DOCKET NO. 2020-5-G
LNG INVENTORY ACTIVITY
FOR THE TWELVE MONTHS ENDED JULY 31, 2020**

TOTAL LNG STORAGE

	Boil-off			Vaporization			Liquefaction			Trucked in to Salley		
	DTs	Rate	Amount	DTs	Rate	Amount	DTs	Rate	Amount	DTs	Rate	Amount
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
Aug-19	(50,449)	3.755912	(189,482)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Sep-19	(47,225)	3.811117	(179,980)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Oct-19	(39,329)	3.943553	(155,096)	0	0.000000	0	105,766	2.346964	248,229	0	0.000000	0
Nov-19	(41,601)	3.885868	(161,656)	0	0.000000	0	124,754	2.572503	320,930	0	0.000000	0
Dec-19	(43,074)	3.803246	(163,821)	(1,925)	3.803117	(7,321)	85,181	2.348904	200,082	0	0.000000	0
Jan-20	(39,467)	3.740163	(147,613)	(76,598)	3.740176	(286,490)	0	0.000000	0	0	0.000000	0
Feb-20	(36,906)	3.755189	(138,589)	(49,272)	3.755196	(185,026)	0	0.000000	0	0	0.000000	0
Mar-20	(40,123)	3.754380	(150,637)	0	0.000000	0	17,286	1.607312	27,784	0	0.000000	0
Apr-20	(42,261)	3.762239	(158,996)	0	0.000000	0	188,762	1.578300	297,923	0	0.000000	0
May-20	(41,944)	3.530231	(148,072)	0	0.000000	0	68,870	1.735705	119,538	0	0.000000	0
Jun-20	(42,395)	3.459016	(146,645)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Jul-20	(44,554)	3.485456	(155,291)	0	0.000000	0	0	0.000000	0	0	0.000000	0
Totals	(509,328)	3.722313	(1,895,878)	(127,795)	3.746915	(478,837)	590,619	2.056293	1,214,486	0	0.000000	0

	Derime Gas	Gas Lost To Atmosphere			Volume Adjustment			Direct Costs Capitalized	Ending Balance		
	DTs	DTs	Rate	Amount	DTs	Rate	Amount	Amount	DTs	Rate	Amount
	#	#	\$	\$	#	\$	\$	\$	#	\$	\$
Beg. Bal.									1,579,137	3.755919	5,931,110
Aug-19	0	0	0.000000	0	0	0.000000	0	84,363	1,528,688	3.811105	5,825,991
Sep-19	0	0	0.000000	0	0	0.000000	0	196,206	1,481,463	3.943546	5,842,217
Oct-19	(1,019)	0	0.000000	0	0	0.000000	0	75,630	1,546,881	3.885871	6,010,980
Nov-19	0	0	0.000000	0	0	0.000000	0	29,170	1,630,034	3.803248	6,199,424
Dec-19	0	0	0.000000	0	0	0.000000	0	18,523	1,670,216	3.740167	6,246,887
Jan-20	0	0	0.000000	0	0	0.000000	0	23,356	1,554,151	3.755195	5,836,140
Feb-20	0	0	0.000000	0	0	0.000000	0	(1,198)	1,467,973	3.754379	5,511,327
Mar-20	(1,494)	0	0.000000	0	0	0.000000	0	42,864	1,443,642	3.762247	5,431,338
Apr-20	0	0	0.000000	0	0	0.000000	0	43,304	1,590,143	3.530229	5,613,569
May-20	0	0	0.000000	0	0	0.000000	0	8,431	1,617,069	3.459015	5,593,466
Jun-20	0	0	0.000000	0	0	0.000000	0	41,636	1,574,674	3.485456	5,488,457
Jul-20	0	0	0.000000	0	0	0.000000	0	33,433	1,530,120	3.507306	5,366,599
Totals	(2,513)	0	0.000000	0	0	0.000000	0	595,718	1,530,120	3.507306	5,366,599

Total LNG Storage as of 7/31/20

1,530,120 3.507306 5,366,599