Summary of Audit Procedures and Results for Dominion Energy Utah's Account 191 for Calendar Year 2019; Dockets 18-057-14 and 19-057-04

1 SCOPE

The Division of Public Utilities ("Division") conducted an audit of Dominion Energy Utah's (previously Questar Gas Company) Account No. 191.1 of the Uniform System of Accounts for the calendar year of 2019. The majority of the Division's work focused on net costs (costs offset by revenues) included in Account No. 191.1, although limited testing was performed on the reported revenues. The purpose of this audit was to compare the costs and revenues included in the Account No. 191.1 filing with the tariff and evaluate whether or not the calculation of the balance substantially conformed to the approved accounts and method of calculation.

2 DEFINITIONS

Various terms or abbreviations are used in the following sections. Those terms or abbreviations are described below:

1) "Division": Utah Division of Public Utilities
2) "DEU": Dominion Energy Utah (previously Questar Gas Company)
3) "DEQP": Dominion Energy Questar Pipeline (previously Questar Pipeline Company)
4) "ABS": Account Balance Summary. A spreadsheet consisting of individual accounting entries to the various accounts in the 191 account.
5) "GL": General Ledger or "Accounting Works". A DEU spreadsheet report produced monthly that originates from the Company's general ledger.
6) "191 SUM": The monthly 191 summary sheet produced by DEU. This sheet shows the 191 account calculations, including a breakdown by account, interest calculations, and adjustments to the 191 account.
7) "191 Account": Account No. 191.1 of the Uniform System of Accounts

3 AUDIT PROCEDURES

The Division's audit procedures of the 191 account for the calendar year 2019 consist of the following:

1) Risk Assessment – The Division reviewed the information provided by DEU to determine that it was substantially similar to previous years, and relied upon risk areas that were identified in previous audits, particularly storage gas costs, which will be discussed later in this report.

2) High-Level Reconciliations – Reconciled DEU's End-of-year financial information to the 191 SUM.
3) Net Gas Cost Review
   a) Verified the Commodity percentage was calculated correctly.
   b) Verified the Demand percentage was calculated correctly.
   c) Recalculated the ending 191 balance and compared to the 191 SUM.
   d) Reviewed supporting documentation for costs and revenues included in the 191 account.
   e) Reviewed supporting documentation for the 191 account adjustments.

4 RISK ASSESSMENT

The Division determined the operation and content of DEU's 191 account for 2019 is substantially similar to previous years. Therefore, the Division was able to rely on risk assessments performed in previous audits. The two main areas of risk continue to be storage gas related costs and adjustments to the 191 account.

4.1 RISK - STORAGE GAS RELATED COSTS

Based on previous audits, the Division determined the greatest likelihood of a material misstatement was with storage gas costs (withdrawal value/charges, injection value/charges, and return on storage gas). This is due to the complexity of the storage inventory calculations, and the use of an estimate that is determined by the company for storage injection and withdrawal values. The Division requested and reviewed supporting documents for several of the entries in the General Ledger related to storage gas costs and found no inconsistencies.

4.2 RISK - COMPANY ADJUSTMENTS TO THE 191 ACCOUNT

Adjustments to the 191 account are also identified as inherently greater risk due to their nature of being outside the normal accounting and reporting process. For the calendar year 2019, there were no adjustments to the 191 account.

5 AUDIT PROCEDURES AND RESULTS

In addition to the items identified in the risk assessment, the Division tested many other key areas of the 191 account. The majority of the Division's audit procedures focused on the costs and revenues included in the 191 account for the calendar year of 2019. The audit procedures and tests discussed below are summaries of the work performed by the Division. In addition to the audit procedures and tests performed, the Division also sent data requests and held meetings with DEU to discuss certain aspects of the 191 Account.

5.1 HIGH-LEVEL RECONCILIATIONS – RECONCILE 191 ACCOUNT TO 2019 END-OF-YEAR FINANCIAL INFORMATION

The purpose of this procedure was to verify the amounts included in the 191 account reconcile to the amounts reported in the 2019 End-of-Year financial information. Differences were investigated. Based on the Division's review, the costs and revenues reported in the 191 account reconcile to the costs and revenues reported in the Company's End-of-Year financial information.

5.2 NET GAS COST REVIEW

5.2.1 COMMODITY PERCENTAGE RECONCILIATION

The Division verified the commodity percentages used to allocate costs to Utah were calculated correctly. The Division calculated commodity percentages from the decatherms reported in the Booked Revenue Report. The Division recalculated Utah Commodity percentages reconciled to the amounts reported by DEU (noting minor immaterial exceptions).

5.2.2 DEMAND PERCENTAGE RECONCILIATION

The percentages used to allocate demand costs to Utah originate from DEU's pass-through filings. The applicable pass-through filings for current year 2019 are Docket No's 18-057-14 and 19-057-04. The demand percentage is calculated based on a one month lag approved by the Commission in the Order Setting Final Rates for Docket Nos. 12-057-08 and 13-057-03 (issued September 21, 2018). The following is the result of the demand percentage allocations. The differences between the Division's calculation and DEU's calculation are immaterial and due primarily to the demand percentage carried out to three decimal places rather than two.

Monthly Demand % By Month (*in dollars*)					
Audit Month	DPU Demand %	DEU Demand %	Difference	Demand Costs	Potential Error
12/31/2018	97.174%	97.170%	-0.004%	$ 9,578,355	$ 395
1/31/2019	97.174%	97.170%	-0.004%	9,709,655	400
2/28/2019	97.174%	97.170%	-0.004%	9,034,754	372
3/31/2019	97.174%	97.170%	-0.004%	8,557,477	353
4/30/2019	97.174%	97.170%	-0.004%	7,357,187	312
5/31/2019	97.174%	97.170%	-0.004%	7,308,479	310
6/30/2019	97.174%	97.170%	-0.004%	7,232,205	307
7/31/2019	97.174%	97.170%	-0.004%	7,306,034	310
8/31/2019	97.174%	97.170%	-0.004%	7,368,719	313
9/30/2019	97.174%	97.170%	-0.004%	7,377,307	313
10/31/2019	96.933%	97.170%	0.237%	6,997,048	(16,569)
11/30/2019	96.933%	96.930%	-0.003%	8,666,609	277
Total					$ (12,908)

5.2.3 RECALCULATION OF MONTHLY 191 ACCOUNT BALANCE

In this audit procedure, the Division allocated the total Company costs to Utah, added gas revenues recalculated by the Division, and applied the applicable interest costs, bad debt percentages, and other DEU 191 Adjustments to arrive at monthly 191 Account balances. These amounts were then compared to the amounts reported by DEU in the 191 SUM as a reasonableness test. The Division finds its calculation of the monthly balance to be substantially similar to DEU's reported balances with the differences being due to the Division's estimate being less precise than the accounting efforts employed by DEU. The results of this procedure are shown below:

Month	DPU CALCULATED 191 BALANCE	DEU REPORTED 191 BALANCE	Difference
1/31/2019	$ 5,426,746	$ 6,117,194	$ (690,448)
2/28/2019	33,162,992	33,522,858	(359,866)
3/31/2019	28,126,835	28,273,306	(146,471)
4/30/2019	37,551,317	37,766,284	(214,967)
5/31/2019	43,715,478	43,836,133	(120,655)
6/30/2019	49,784,682	49,684,767	99,914
7/31/2019	54,393,183	53,500,538	892,645
8/31/2019	61,857,297	61,110,274	747,023
9/30/2019	70,041,053	68,935,868	1,105,185
10/31/2019	73,753,781	73,042,429	711,352
11/30/2019	60,377,061	59,446,702	930,359
12/31/2019	45,932,482	46,533,472	(600,989)

5.3 NET GAS COST REVIEW

The Division performed several review procedures to ensure the total Company expenses and Utah revenues reported in the 191 SUM are in fact supported by invoices, billing statements, checks, inventory calculations, and other documentation. The 191 account net gas costs can be broken down into the following components: Wexpro operating costs, purchased gas, storage gas, gathering costs, transportation costs, and overriding royalties. The Division summarized the composition of the costs in the table below:

Total Company Net Gas Cost		
Gas Cost	**CY 2019 Amount**	**% of Total**
Wexpro Costs	$ 248,179,026	46.79%
Purchased Gas	179,100,998	33.77%
Storage Gas Costs	19,682,909	3.71%
Gathering Costs	21,544,940	4.06%
Transportation Costs	72,253,569	13.62%
Overridding Royalties	(10,191,745)	-1.92%
Gas Managment (WY Only)	19,323	0.00%
Non Core Customer Revenue (WY Only)	(170,562)	-0.03%
Total Net Gas Costs	**$ 530,418,458**	**100.00%**

The Division also compared the change in costs from the previous year with the results summarized below:

Total Company Net Gas Cost			
Gas Cost	**CY 2019 Amount**	**CY 2018 Amounts**	**% Change**
Wexpro Costs	$ 248,179,026	$ 259,814,313	-4.48%
Purchased Gas	179,100,998	131,775,453	35.91%
Storage Gas Costs	19,682,909	30,484,368	-35.43%
Gathering Costs	21,544,940	28,224,251	-23.67%
Transportation Costs	72,253,569	67,900,602	6.41%
Overridding Royalties	(10,191,745)	(8,034,344)	26.85%
Gas Managment (WY Only)	19,323	27,443	-29.59%
Non Core Customer Revenue (WY Only)	(170,562)	(644,857)	-73.55%
Total Net Gas Costs	**$ 530,418,458**	**$ 509,547,229**	**4.10%**

5.3.1 DEU ADJUSTMENTS TO 191 ACCOUNT

In addition to the net costs and revenues reported in the DEU 191 SUM, DEU normally makes several adjustments to Utah's 191 Account balance. However, there were no adjustments made for the 2019 calendar year.

5.4 REVENUE REVIEW – ACCURACY

5.4.1 RECALCULATE 191 REVENUES

The Division reviews revenues by multiplying the reported decatherms and the tariff rates in effect at that time and then compares those calculated revenues with the revenues reported by the Company as a reasonableness test. The Division is aware that timing differences will cause the Division's calculated amounts to differ from the values reported by DEU. The Division inquired of the Company about whether the external audit firm specifically audited the tariff rates and the Company stated that it did. The Division therefore also relies on the audit opinion provided by the external audit firm in addition to the work performed specifically by the Division. The Division will continue to monitor the differences for any particularly material or unusual differences going forward.

6 CONCLUSION

The Division finds costs in the 191 Account comply with Commission approved calculations and are just, reasonable, and in the public interest. The Division recommends that interim rates become final in Docket Nos. 18-057-14 and 19-057-04.