

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE REQUEST
OF DOMINION ENERGY UTAH TO
INCREASE DISTRIBUTION RATES
AND CHARGES AND MAKE TARIFF
MODIFICATIONS**

DOCKET NO. 19-057-02

Exhibit No. DPU 1.0 DIR

**Direct Testimony
Douglas D. Wheelwright**

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

**Direct Testimony of
Douglas D. Wheelwright**

October 17, 2019

1 **Q: Please state your name, business address and title.**

2 A: My name is Douglas D. Wheelwright; my business address is 160 East 300 South, Salt Lake
3 City, Utah 84114. I am a Technical Consultant with the Division of Public Utilities
4 (Division).

5 **Q: On whose behalf are you testifying?**

6 A: The Division.

7 **Q: Please describe your position and duties with the Division.**

8 A: As a technical consultant, I examine public utility financial data and review filings for
9 compliance with existing programs as well as applications for rate increases. I research,
10 analyze, document, and establish regulatory positions on a variety of regulatory matters. I
11 review operations reports and evaluate the compliance with the laws and regulations. I
12 provide written and sworn testimony in hearings before the Public Service Commission of
13 Utah (Commission) and assist in the case preparation and analysis of testimony.

14 **Q: Will you briefly review the background and factual framework surrounding this**
15 **docket?**

16 A: Yes. On July 1, 2019, Questar Gas Company dba Dominion Energy Utah (Dominion Energy
17 or the Company) filed an application requesting an increase to its Utah retail rates by \$19.2
18 million.¹ The primary driver of the requested rate increase is the anticipated capital
19 expenditures for maintaining, upgrading, and replacing its aging infrastructure, as well as the

¹ Docket No. 19-057-02, Verified Application (Application) at Page 1.

20 cost of serving new customers.² The Company is asking for an increase in the authorized
21 return on equity from 9.85% to 10.50% and an increase in the infrastructure tracker program.
22 The proposed rate increase uses a base year ending December 31, 2018, and a forecasted test
23 period ending December 31, 2020. If approved, the Company has requested that changes to
24 the rate schedules become effective March 1, 2020. The application also includes
25 recommended changes to the current cost of service and rate design, however these issues
26 will be addressed under a separate schedule.

27 **Q: What is the purpose of your testimony in this matter?**

28 A: My testimony introduces the Division's witnesses and provides a summary of the Division's
29 overall revenue requirement recommendation along with a brief explanation of each of the
30 adjustments.

31 **Q: Please summarize the work and investigation that has been performed in this case.**

32 A: The Division has reviewed the testimony of the Company witnesses along with the
33 attachments and exhibits. The Division has submitted numerous data requests, reviewed
34 answers to its data requests and those of other parties and has participated in meetings with
35 Company representatives to obtain additional information and clarification on multiple
36 topics.

37 **Q: What is the Division's recommendation for revenue requirement?**

² Docket No. 19-057-02, Verified Application (Application) at Page 2.

38 A: In the Application, the Company identified a revenue deficiency of \$19.2 million. The
39 calculated deficiency assumes an increase in the authorized rate of return as well as a
40 substantial increase in capital spending for 2020.³ The Division has reviewed the proposed
41 changes and does not agree with or support the assumptions used by the Company to
42 calculate the test year revenue requirement deficiency.

43 The Division has identified \$20.2 million in adjustments leaving no deficiency in the revenue
44 requirement. The individual components of the Division adjustments include a \$17.3 million
45 reduction based on a 9.25% return on equity (ROE) and adjustment to the cost of debt along
46 with a \$1.5 million reduction due to corrections in the lead-lag calculation. The Division also
47 recommends a \$25.0 million reduction to the proposed capital spending for 2020 which has
48 estimated the impact to be a \$1.4 million reduction to the revenue requirement. The Division
49 is concerned with the significant increase in capital spending as well as the proposed increase
50 in the Infrastructure Tracker. The recommended reduction in capital spending would
51 maintain the Infrastructure Replacement Program at the current spending levels. Where
52 possible, the calculations for the Division's adjustments and revenue deficiency were
53 determined using the Dominion Model provided as DEU Exhibit 4.18. However, the
54 combined impact of reduced capital spending will need to be calculated by the Company due
55 to depreciation rates and multiple adjustments to various accounts within the model. The
56 specific details of the individual adjustments will be explained in greater detail in the
57 testimony provided by separate Division witnesses.

³ DEU Exhibit 3.05.

58 **Q: Please identify the Division's witnesses for the revenue requirement phase of this**

59 **docket.**

60 A: In addition to my testimony, the Division will provide four additional witnesses. Mr. Eric
61 Orton will provide testimony concerning the proposed changes to the infrastructure tracker as
62 well as the forecast for capital expenditures and merger commitments. Mr. Casey Coleman
63 will provide testimony concerning the Company's proposed cost of capital and overall rate of
64 return. Mr. David Thomson will provide testimony concerning the lead-lag calculation. Mr.
65 Jeff Einfeldt will provide testimony concerning the audit of the infrastructure tracker. Each
66 of the recommended adjustments is supportable and they represents calculated adjustments to
67 the proposed revenue requirement.

68 **Q: Does this conclude your testimony?**

69 A: Yes.