



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 Supervisor with the Division of Public  
4 Utilities (Division).

5 **Q: Are you the same Douglas Wheelwright that provided Phase II Direct Testimony on**  
6 **behalf of the Division?**

7 A: Yes.

8 **Q: What is the purpose of your surrebuttal testimony?**

9 A: I will be providing an overview of the Division's position and concerns with the information  
10 that has been provided in this phase of the proceeding.

11 **Q: Will you explain the Division's concern with the information that has been provided by**  
12 **the Company?**

13 A: Yes. In the initial application, the Company indicated that the Transportation Customers  
14 (TS Class) were not paying their full cost of service and were being subsidized by the other  
15 rate classes.<sup>1</sup> The Company further explained that the TS rate was never designed for small  
16 commercial customers and that many General Service (GS) customers have moved to the TS  
17 rate in recent years.<sup>2</sup> The Company indicated that one of the problems with the current TS  
18 rate is related to the movement of smaller volume customers to the TS rate class and "it is

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<sup>1</sup> DEU Exhibit 4.06, page 1, line 51.

<sup>2</sup> Direct Testimony of Austin Summers, page 11, line 276.

19 time for this loophole to be closed so that all customer classes are paying their full share of  
20 the system cost.”<sup>3</sup>

21 While the Company’s initial filing assumed that smaller volume TS customers were causing  
22 the problem and were not paying their fair share of the system costs, the Company’s response  
23 to UAE data request 2.01 tells a different story. In response to this data request, the  
24 Company divided the TS class and calculate the Cost of Service (COS) for customers with  
25 annual usage under 35,000 Dth. This analysis shows that under the current rate structure,  
26 small TS customers are paying more than their fair share of the COS while the larger TS  
27 customers are being subsidized by the other rate classes.<sup>4</sup>

28 **Q: Please explain why this is a concern and the potential implications of this change to the**  
29 **analysis of this rate case.**

30 A: The Company has stated that the problem with the TS rate is the number of customers that  
31 are moving from the GS rate class and are not carrying their appropriate level of cost. As a  
32 result, the Company supports a moratorium on the any new customer movement to the TS  
33 rate until the class is at full COS. The Company believes this will allow sufficient time to  
34 stabilize the class and review the cost allocation.<sup>5</sup> If the small TS customers are currently  
35 meeting their cost allocation requirements, the Company should be indifferent to which

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<sup>3</sup> Direct Testimony of Austin Summers, page 11, line 291.

<sup>4</sup> UAE Data Request 2.01, Attachment 5, COS Sum.

<sup>5</sup> Rebuttal Testimony of Austin Summers, page 10, line 228.

36 customer class they fall into<sup>6</sup> and should not be concerned with the movement of these  
37 smaller commercial customers from GS to the TS rate.

38 In addition, the proposed rate increase for TS customers does not create a distinction between  
39 the large and small customers and will have an impact all transportation customers. The  
40 proposed increase to the total TS class could incorrectly allocate additional cost to the  
41 smaller TS customers and send an incorrect price signal to these customers. Increasing the  
42 rate for all TS customers could incorrectly incentivize some of the small TS customers to  
43 migrate back to the GS rate prior to correcting this issue in the next general rate case when  
44 the class is potentially split.

45 The proposed moratorium on small use customers moving to the class may be unnecessary  
46 and could be viewed as a way to keep the existing customers in the GS class. The Company  
47 maintains the burden of proof to demonstrate the need for a change in the current rate  
48 structure and has provided conflicting information concerning the COS for smaller TS  
49 customers. Based on the Company's own analysis, it does not appear that small TS  
50 customers are under paying or are causing the problem in this rate class. It does not appear  
51 that the TS class subsidy will worsen if additional small customers are allowed to move from  
52 GS to the TS rate schedule, therefore the moratorium may not be necessary since the majority  
53 of the deficiency in the COS for Transportation customers appears to be attributed to the  
54 larger volume customers in this class.

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<sup>6</sup> Rebuttal Testimony of Austin Summers, page 13, line 303.

55 **Q: Has the Company indicated that GS customers have been harmed by customers moving**  
56 **from GS to the TS rate?**

57 A: No. In his rebuttal testimony, Mr. Summers indicated that due to the size of the GS customer  
58 class, “it has not been impacted severely by customers leaving.”<sup>7</sup> The Company has  
59 indicated support for having larger groups in the various customer classes but does not  
60 support additional customers in the TS class. Even though many customers have moved  
61 from GS to TS and the Company has not had a general rate case for six years, depending on  
62 the final decision of the revenue requirement, GS customers could be receiving a decrease in  
63 their rate and do not appear to have been harmed.

64 **Q: Does the Division support the suggestion to open a new docket in order to address**  
65 **splitting the TS class and possible the GS rate class prior to the next general rate case?**

66 A: Yes. These issues have been discussed for many years but the Company has not taken any  
67 steps to move forward. It is interesting that the Company has acknowledged the large  
68 difference in customer size between the large use and small use customers in the TS class and  
69 states that a split is worth considering and analyzing.<sup>8</sup> This issue has been in discussion  
70 since at least 2014, however the Company has not provided the analysis or recommendation  
71 to split the class. It is now six years later and there has been no movement by the Company  
72 to address a problem that was identified years ago. Even though no consensus was reached  
73 between the parties in previous proceedings, with the conflicting information concerning the  
74 COS for small TS customers, additional study and analysis is needed. The Commission

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<sup>7</sup> Rebuttal Testimony of Austin C. Summers, page 15, line 364.

<sup>8</sup> Rebuttal Testimony of Austin C. Summers, page 15, line 377.

75 should direct the Company to participate in a collaborative process with all of the interested  
76 parties to discuss possible ways to split the classes and look at the possible impacts to  
77 customers.

78 **Q: Please summarize the Division's position on Phase II issues in this case.**

79 A: The Division supports the need to bring all customers to full cost of service. Since there  
80 appears to be a large increase in the COS that would be allocated to the TS class, the  
81 Division would support the need to follow a phased in approach to the suggested increase but  
82 is concerned with the discrepancy in the COS between large and small TS customers. The  
83 Division preliminarily supports a split of the TS class and a possible split of the GS class in  
84 future general rate case proceedings.

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

86 A: Yes.

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