BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications	Docket No. 19-057-02

SURREBUTTAL TESTIMONY OF ANGC WITNESS BRUCE R. OLIVER

ANGC EXHIBIT 2SR

Phase 2

TESTIMONY ON CLASS COST OF SERVICE AND RATE STRUCTURE ISSUES

January 6, 2020

Testimony on Behalf of

American Natural Gas Council

/s/*Bruce R. Oliver*

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ON CLASS COST OF SERVICE AND RATE STRUCTURE ISSUES
UPSC Docket No. 19-057-02, Phase II

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY OF BRUCE R. OLIVER
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UPSC Docket No. 19-057-02, Phase II

SURREBUTTAL EXHIBITS

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive Fairfax Station, Virginia, 22039.

Q. ARE YOU THE SAME BRUCE R. OLIVER WHO HAS PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN PHASES I AND II OF THIS PROCEEDING ON BEHALF OF ANGC, AS WELL AS SURREBUTTAL IN PHASE I AND REBUTTAL IN PHASE II?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR PHASE II SURREBUTTAL TESTIMONY?

A. This testimony responds to the Phase II Rebuttal Testimonies of Witness Summers for DEU, Witness Daniel for OCS and Witness Higgins for UAE.

Q. WERE THIS TESTIMONY AND ACCOMPANYING EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION AND CONTROL?

A. Yes, they were.

II. SUMMARY

Q. DO YOU HAVE A GENERAL RESPONSE TO THE REBUTTAL TESTIMONY THAT HAS BEEN FILED BY OTHER PARTIES TO THIS PROCEEDING?

A. Yes. The general position of DEU and OCS is to once again defer action on what have been portrayed as pressing issues, particularly with respect to the design of TS rates, and to ignore the very strong cost of service evidence which demonstrates that **small TS customers** are **NOT the source** of the Company's rate **TS cost recovery problems**. Simply moving the TS class to an arbitrary level that the Company associates with full cost recovery does not ensure equitable treatment of large and small customers within that class. Moreover, the Company's proposed rates do more to perpetuate intra-class rate equity issues than to resolve them, or at least mitigate their magnitude.

Although DEU Witness Summers appears intent on moving all classes to their full costs of service to address interclass rate equity issue, he ignores the detail of the Company's cost of service analyses when he designs charges to distribution cost responsibilities among the customers within each rate class. In doing so he perpetuates, and often exacerbates **intra-class** rate equity problems. In fact, the rate design proposals offered by DEU and UAE will serve to further amplify the Company's current **over-recovery** of costs **from TSS customers** (i.e., TS customers using less than 35,000 Dth per year. DEU's

proposals also do little or nothing to reconcile the Company's classified costs by rate class and by function with its proposed charges by rate class.

Witness Summers' Direct Testimony highlights problems in the Company's existing rates. However, as I have previously noted, DEU had substantial time and opportunity to analyze and address rate design issues discussed in prior proceedings before it filed its Application in this proceeding. Yet, the only proposals DEU has developed for this proceeding are poorly supported and lack sound cost of service foundations. Deferring major rate design reforms until the Company's next rate cases provides no assurance that more thoughtful and well-constructed proposals will be forthcoming at that time. Moreover, a decision to adopt DEU's TS rate proposals in this proceeding and defer consideration of TS rate design reform until a future case will only serve to deny current and potential rate TS customers the opportunity for significant gas cost savings.

As I noted in my Direct Testimony, customers' distribution service requirements are not substantially altered by decisions to migrate from gas sales service to transportation service. Thus, the charges customers are assessed for **distribution service** should essentially be the same regardless of whether they elect to use gas sales service or gas transportation service. Unfortunately, DEU's current rates for both gas sales and transportation services do not appear to reasonably reflect its costs of service for customers within those service classifications, and setting charges for transportation service based on non-cost-

based gas sales service rates is neither reasonable nor appropriate. However, the record of this proceeding demonstrates that DEU's current charges for TS customers provide better cost-recovery results for smaller TS (TSS) customers than for larger TS (TSL) customers. In this context, there is absolutely no foundation for the Company's proposals to: (1) impose a 35,000 Dth minimum annual gas use requirement on TS customers and (2) limit further migration of customers using less than 35,000 Dth per year to Rate Schedule TS.

Q. DOES ANY OF THE REBUTTAL TESTIMONY FILED BY OTHER PARTIES IN THIS PHASE II PROCEEDING ALTER YOU'RE THE POSITION AND RECOMMENDATIONS PRESENTED IN YOUR DIRECT TESTIMONY?

A. No, it does not.

III. COST ALLOCATION ISSUES

Q. HAS DEU WITNESS SUMMERS PRESENTED REVISED CLASS COST OF SERVICE ALLOCATIONS WITH HIS REBUTTAL TESTIMONY?

A. Yes. That analysis is found in DEU Exhibit 4.02R.

Q. DO YOU HAVE ANY COMMENTS ON THE REVISED CLASS COST OF SERVICE ANALYSIS THAT DEU WITNESS SUMMERS PRESENTS IN EXHIBIT 4.02R?

A. Yes. On the positive side, DEU Exhibit 4.02R incorporates the 68/32 weighting of class Design Day and Annual Throughput requirements that both UAE and ANGC advocated in their Direct Testimonies in this Phase II proceeding, as well as the lower revenue requirement that DEU Witness Stephenson discussed in his Phase I Rebuttal Testimony. On the other hand, that analysis continues to rely on DEU's substantially overstated costs of capital and fails to address the split of the TS class that I discussed in my Direct Testimony and that the Company has addressed explicitly in its response to UAE Data Request 2.01, Attachment 5.[1] Thus, the analysis presented in DEU Exhibit 4.02R is of limited use in addressing key revenue increase distribution and TS class rate design issues that before the Commission in this proceeding.

Q. DO YOU HAVE A RESPONSE TO OCS WITNESS DANIEL'S REBUTTAL REGARDING DEU'S ALLOCATION OF COSTS FOR FEEDER MAINS, COMPRESSOR STATIONS, AND MEASURING AND REGULATING STATION EQUIPMENT?

A. I do. Noticeably absent from Witness Daniel's rebuttal on this matter is any development of a cost-causative basis for the weighting of Design Day and Annual Throughput requirements in the development of DEU's Allocation Factor 230. The basic purpose of cost of service analyses is to identify cost-causative relationships. The use of arbitrarily chosen weighting factors for Design Day and

[1] Also see ANGC Exhibit 2.01R, page 1 of 2, which provides a summary the class cost of service analysis presented in DEU's response to UAE Data Request 2.01, Attachment 5.

Annual Throughput requirements is inconsistent with that basic reason for performing class cost of service allocations. My Direct Testimony explains the cost-causative relationship that underlies the use of the system load factor as the basis for weighting Design Day and Annual Throughput requirements in the allocation of costs for feeder mains, compressor stations, and measuring and regulating station equipment. Witness Daniel's Rebuttal Testimony offers no substantive evidence to refute the rationale presented in my Direct Testimony for using the System Load Factor as basis for weighting the Design Day and Annual Throughput components for DEU's Allocation Factor 230.[2]

Q. WOULD THE USE OF A DIFFERENT WEIGHTING OF DESIGN DAY AND ANNUAL THROUGHPUT REQUIREMENTS SIGNIFICANTLY ALTER THE RATE OF RETURN FOR SMALLER RATE SCHEDULE TS CUSTOMERS (I.E., TSS CUSTOMERS) THAT USE LESS THAN 35,000 DTH PER YEAR?

A. No. To the contrary the use of a 50/50 weighting would improve the computed rate of return for TSS customers. As shown in ANGC Exhibit 2.01SR, the use of a 50/50 weight of Design Day and Annual Throughput would produce a **9.27%** rate of return for **TSS customers** (i.e., Rate Schedule TS customers using less than 35,000 Dth per year). By comparison, ANGC Exhibit 2.03R, attached to my Rebuttal Testimony in this phase of the proceeding, indicates that the TSS rate of

[2] In this context it should be noted that the Phase II Rebuttal Testimony of DEU Witness Summers recognizes (at page 3, lines 71-73) that the system load factor based weighting of Design Day and Annual Throughput requirements advocated by myself and UAE Witness Higgins "***have meaningful logic***."

return using a 68/32 weighting of Design Day and Annual Throughput for DEU's Allocation Factor 230 is **8.99%**.

On the other hand, the use of a 50/50 weighting of Design Day and Annual Throughput lowers the rate of return for Large Rate Schedule TS (TSL) customers. Using a 50/50 weighting of Design Day and Annual Throughput, the computed rate of return for TSL customers is **-0.03%**. The TSL rate of return using a 68/32 weighting of Design Day and Annual Throughput is **1.49%**.[3]

Q. DO THE FOREGOING COMPARISONS OF RATES OF RETURN FOR SMALL TS (TSS) CUSTOMERS CAUSE YOU TO RECONSIDER YOUR POSITION WITH RESPECT TO THE WEIGHTING OF DESIGN DAY AND ANNUAL THROUGHPUT REQUIREMENTS FOR COST ALLOCATION PURPOSES?

A. No, they do not. The 68/32 weighting of Design Day and Annual Throughput requirements that I advocated in my Direct Testimony remains the only approach for structuring DEU's Allocation Factor 230 that is founded upon a sound cost-causative relationship. Arbitrary weightings of design day and annual throughput have no legitimate application in the determination of class cost of service responsibilities. If the Commission wishes to depart from strict cost of service based rate determinations, it has the discretion to do so in establishment of class revenue requirements and in the design of rates for individual rate classes. However, it is not appropriate to distort the benchmark from which deviations

[3] Also see Table 1SR that is presented later in this testimony.

form fully allocated costs of service are measured by using arbitrary and non-cost-based allocation methods in the determination of class cost of service responsibilities.

Q. SHOULD THE SAME 68/32 WEIGHTING OF DESIGN DAY AND ANNUAL THROUGHPUT REQUIREMENTS BE USED BY DEU IN ITS NEXT BASE RATE CASE?

A. The weighting of Design Day and Annual Throughput in DEU's next case should reflect the Company's **Annual System Load Factor** at that time.[4] It should only remain at a 68/32 weighting if the Company's annual system load factor remains unchanged.

The DEU representation cited by Witness Daniel, that a "*60/40 weighting more closely matches the results of the COS that the Company has proposed over time*," is of no value to this Commission in the determination of class cost responsibilities in this proceeding unless it is shown to reflect a cost causative relationship. Consistency with past practices is only relevant where the underlying cost-causative factors are demonstrated to be unchanged and that relationship is shown to be consistent with cost-causation. Past reliance on a non-cost-based allocation method is not justification for continuation of the use of that method. Moreover, while such concepts as gradualism and rate continuity have a role in the design of rates, they have no place in the allocation of costs

[4] For this purpose, DEU's annual system load factor should be computed using estimated design day demands as the denominator, as I have done in this proceeding.

among rate classes and the determination of the cost benchmarks from which rate design determinations are made.

Q. IS THERE ANY SUBSTANCE IN WITNESS DANIEL'S STATEMENT THAT THE COMPANY'S ALLOCATION METHOD FOR FEEDER MAINS, COMPRESSOR STATIONS, AND MEASURING AND REGULATING STATIONS "*WAS NOT INTENDED TO BE, NOR HAS IT BEEN REPRESENTED AS, AN A&P* [AVERAGE AND PEAK] *ALLOCATION FACTOR*"?

A. No. That is simply a semantic distinction. Regardless of how it is labeled, DEU's Allocation Factor 230 should be structured to reflect a cost-causative relationship, not an arbitrarily chosen weighting percentages.

Q. WITNESS DANIEL DISCUSSES THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL ("NARUC MANUAL") IN HIS REBUTTAL TESTIMONY. WHAT IS YOUR ASSESSMENT OF THE USEFULNESS OF THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL FOR RESOLVING COST ALLOCATION ISSUES IN THIS PROCEEDING?

A. In 1981 when NARUC published its first Gas Distribution Rate Design Manual, that manual served as a useful primer for many regulators, rate case intervenors, and utilities who, at that time, had limited background in gas distribution utility cost allocation and rate design considerations. However, even with the update of

that manual in 1989, **it has never been a prescriptive document**. Rather, its main function is to describe alternative methods that have been used without taking a position on how to assess the most appropriate method for any given utility or any set of utility characteristics. As a result, it has served to perpetuate past practices rather than advance efforts to better track actual cost causation for gas distribution utilities.

With advances in computing technology, our expanded ability to manage and analyze large amounts of data has greatly expanded. With these expanded analytic capabilities, the focus of regulators should be on seeking better methods to reflect cost causation in the allocation of costs and the design of rates. Instead, citations in regulatory proceedings to the past practices discussed in the now 30-year old updated NARUC Manual only serve to inhibit refinement of cost allocation and rate design methods for gas distribution utilities.

The focus of the Commission in this proceeding should be on identifying cost allocation methods that reflect actual cost-causative relationships for DEU and enable the Company to design rates in a manner that equitably assigns cost responsibilities both among rate classes and among individual customers within each rate class. As the record of this proceeding demonstrates, DEU's current rates leave much to desired in terms of both interclass and intra-class rate equity. Moreover, I have demonstrated that DEU's representations regarding who is being subsidized are at best unreliable and inconsistent with its own analyses.

Q. WITNESS DANIEL'S REBUTTAL TESTIMONY (PAGE 5, LINES 106-108) CRITICIZES UAE AND ANGC FOR USING ESTIMATED CLASS DESIGN DAY DEMANDS RATHER THAN TEST YEAR CONINCIDENT PEAK DEMANDS [IN THEIR DESIGN DAY/ANNUAL THROUGHPUT ALLOCATIONS. HOW DO YOU RESPOND?

A. Witness Daniel's use of test year coincident peak demand measures has no basis in actual cost-causation for DEU. The Company's distribution facilities are not sized to meet the actual demands that classes place on the system in any given year. Rather, DEU must size its distribution system facilities to meet the demands that could be placed on those facilities under extreme cold weather conditions. Year-to-year fluctuations in weather can cause actual coincident peak demands to fluctuate significantly, but those fluctuations do not impact the Company's sizing of distribution facilities or the costs that it must incur to ensure reliable service under extreme weather conditions. Witness Daniel's suggested use of actual test year peak demand measures does not account for the impacts of weather on actual test year demand measures and could result in large swings in the allocation of distribution system demand costs from case-to-case that have no ties to the manner in which DEU sizes its distribution system and incurs distribution system investment costs.

Q. DOES DEU WITNESS SUMMERS REFUTE YOUR FINDING REGARDING THE INAPPROPRIATENESS OF THE COMPANY'S ALLOCATIONS OF GENERAL AND ADMINISTRATIVE COSTS?

A. No, he does not. The revised cost-of-service allocations presented in DEU Exhibit 4.02R continue to use an inappropriate allocation methodology. That methodology which apportions labor-related components of the Company's Administrative and General costs on the basis of General Plant is unfounded. No nexus between the allocation of General Plant costs and the Company's incurrence of labor-related Administrative and General costs has been established, and DEU should be required to specifically address this deficiency in future cost of service studies filed with this Commission.

Q. DOES DEU WITNESS SUMMERS ANSWER THE CONCERNS RAISED IN YOUR DIRECT TESTIMONY REGARDING THE COMPANY'S METHODOLOGY FOR DEVELOPING ITS DISTRIBUTION PLANT COSTS STUDY?

A. No, he does not.

IV. RATE CLASS STRUCTURE AND CUSTOMER MIGRATION

Q. PLEASE RESPOND TO THOSE PARTIES THAT ADVOCATE DEFERRING ACTION ON TS CLASS RATE DESIGN ISSUES AND A SPLITTING OF THE TS CLASS?

A. Several parties have addressed the need to split both the TS class and the GS class into two or more rate classes. However, no party other than ANGC has explicitly addressed the dramatic differences in cost recovery within the TS class for small TS (TSS) customers and for large TS (TSL) customers. These differences are not imagined or contrived. They are documented by analyses prepared by DEU and fortified by sensitivity analyses that I present.

Parties that have not embraced the identified and egregious differences in cost recovery for large and small TS customers, appear comfortable in encouraging the Commission to defer action on TS class rate design issues and considerations regarding splitting the TS class. ANGC is not comfortable with such a further deferral of actions that are already long overdue. As noted in my Direct Testimony, neither DEU's current GS rates nor its TS rates are properly designed for the types of commercial, municipal, institutional, and smaller industrial customers that have migrated, or may be expected to migrate from gas sales service to gas transportation service.

Much of DEU's rate presentation in this proceeding is premised on the incorrect and misguided assessment that growth in the numbers of small TS customers has eroded DEU's recovery of costs from the TS class. However, the evidence in this proceeding, including multiple analyses performed by DEU, does not support the Company's position. There is absolutely nothing in the record of this proceeding that supports a conclusion that increases in the numbers of Small

TS customers has eroded the rate of return for DEU's TS class.[5] Rather, the evidence strongly indicates that DEU's Large TS customers are the source of the Company's Rate TS cost recovery concerns.[6] In this context, fair and equitable treatment of all customers within the TS class mandates that current inequities within DEU's existing TS rates be addressed now and not further delayed. It is not reasonable or appropriate for the Commission to condone a TS rate structure that extracts a significantly above system average rate of return from Small TS (TSS) customers while continuing to subsidize rates for Large TS (TSL) customers.

Q. ARE INTERCLASS AND INTRA-CLASS RATE SUBSIDIES THE REASON DEU GAS SALES SERVICE CUSTOMERS HAVE MIGRATED TO TRANS-PORTATION SERVICE?

A. No. DEU Witness Summers asserts in his Direct Testimony that customers have left the GS, FS, and IS classes to take advantage of the subsidized rate in the TS class.[7] However, that is **NOT** the reason customers are migrating to the TS class. Customers are migrating to the TS class to enable their procurement of gas supplies from competitive service providers at substantially lower cost than they can obtain from DEU. Our analyses find that customers can achieve

[5] The evidence in this proceeding demonstrates that any correlation between growth in the numbers of Small TS customers and erosion of the Company's overall cost recovery from the TS class is strictly coincidental.

[6] It must be recognized that the TSL class has not been static since the Company's last base rate case and there has been noticeable growth in TSL volumes even though the number of added large TS customers has been relatively small.

[7] The Direct Testimony of DEU Witness Summers, page 29, lines 753-754.

substantial gas cost savings by transferring to gas transportation service and contracting for competitively provided gas supply. For a sample of 17 actual TS customers ranging in size from 3,000 Dth to over 1.2 million Dth annually,[8] annual gas costs savings ranged from 17.6% to 26.1%. For customers using less than 35,000 Dth annually, the average annual gas cost savings was over $10,000 or 19.8%.

Q. DEU WITNESS SUMMERS' REBUTTAL TESTIMONY SUGGESTS, "*THE COMPANY CANNOT RESOLVE THE COST-OF-SERVICE AND RATE-DESIGN ISSUES ASSOCIATED THIS THE TS CLASS IF THE DATA FOR THE CLASS IS CONSTANTLY CHANGING.*" DO YOU AGREE?

A. No. Usage data for all classes is constantly changing. Changes in data for a class are not a valid reason for restricting access to gas transportation services, particularly when the Company's own analyses indicate that DEU is more than recovering its full costs of service from Small TS customers. The Company's problem is that it has not adequately analyzed its available data and properly identified the cause of its under-recovery of costs from the overall TS class. As I have demonstrated in this proceeding, a moratorium on customer transfers is not necessary to identify factors contributing to DEU's TS class cost recovery problems. Rather, the primary impact of DEU's proposed moratorium would be

[8] The sample customers were chosen to reflect the diversity in the types of customers using TS service and include a grocery, a refrigerated warehouse, a commercial office building, a municipal library, a healthcare facility, a technical college, a hotel, an auto mall, an elementary school, a food processing plant, a religious institution, an industrial fabricator, a high school, a municipal wastewater treatment facility, and a cogeneration facility. Ten of the 17 sample customers used less than 35,000 Dth annually.

to deny commercial, municipal, institutional, and smaller industrial customers opportunities to achieve gas cost savings and limit increases in their energy cost budgets.

The migration of Small TS customers from gas sales service is actually benefitting the system and the TS class and should not be restricted. But for growth in the numbers of Small TS customers, the overall TS class rate of return would be lower, not higher. Moreover, the current above system average rate of return for TS customers using less than 35,000 Dth per year serves to reduce the amount of subsidy to large TS customers that must be borne by customers in DEU's other rate classes.

Q. DOES OCS WITNESS DANIEL DISCUSS THE TIMING OF EFFORTS TO ACHIEVE A RESOLUTION OF TS CLASS MAKE-UP AND RATE DESIGN ISSUES?

A. Yes. However, I find his testimony on this matter inconsistent and contradictory. On one hand, he endorses the phase-in process suggested by UAE Witness Higgins and states, "*This should allow for a timely resolution of these issues and subsidies prior to the third step rate adjustment*." He also recommends that the question of "*whether smaller customers should be allowed to qualify for transportation service*" should be resolved **now**.[9] On the other hand, he reiterates a recommendation from his Direct Testimony that would defer any

[9] The Rebuttal Testimony of OCS Witness Daniel, page 14, lines 307 – 311.

action by DEU to create a transportation service rate for smaller customers until the Company's next rate case.[10] Unfortunately, Witness Daniel's position regarding the need for more timely splitting of the TS class appears to suffer from a lack of rigorous examination of the evidence in this proceeding regarding the cost recovery performance of larger and smaller TS customers. His position, that "*additional data and analysis is needed prior to reaching a conclusion regarding TS rate class changes*" reflects only his own limited review of the TS class information that has been presented to date.

Q. IS IT YOUR POSITION THAT RESIDENTIAL CUSTOMERS SHOULD BE DENIED OPPORTUNITIES TO PURCHASE THEIR NATURAL GAS SUPPLIES FROM COMPETITIVE SUPPLIERS OF NATURAL GAS?

A. No, that is not my position. Several jurisdictions presently allow residential customers to purchase competitive gas supply services. In fact, I personally received within the last month a solicitation from a Dominion energy marketing affiliate, Dominion Solutions, suggesting that I could significantly reduce my gas bills for the next three years by purchasing my gas supplies through them rather than continuing to purchase my gas from my local gas distribution utility, Washington Gas Light Company.

The concern I have with respect to the use of competitive gas supply services by residential customers is that competition in competitive energy

[10] Ibid., lines 309-311.

markets is as much about the terms and conditions set forth in gas supply contracts as it is about the price that is quoted. Competitive suppliers' contracts are not uniform in their terms, and what may appear to be a lower price can actually result in higher costs after cost pass-throughs and other price and/or usage adjustments are considered. Few residential customers have the knowledge and/or access to experienced professional advice needed to identify and understand the potential cost impacts of differences between utility charges and competitive market gas supply offerings.

Q. HAS OCS WITNESS DANIEL CHANGED HIS POSITION REGARDING THE NEED FOR SPLITTING THE GS CLASS INTO TWO OR MORE CLASSES?

A. It appears he has. In his Direct Testimony (lines 446 – 455), Witness Daniel explicitly addresses "*the huge range in customer size for customers within the* [GS] *class*."[11] He also offers his opinion that "… *it may make better sense from a ratemaking perspective to divide the GS customer class into two or more separate customer classes*."[12] However, in his Rebuttal Testimony, he hedges away from that position stating, "… *it has not yet been shown that splitting the GS rate class into two or more classes is beneficial*."[13] I agree with Witness Daniel that DEU has not developed sufficient data to date to support an appropriate splitting of the GS class and the design of charges for each new rate class that would result. However, that is not reason to reject the basic

[11] OCS Witness Daniel's Direct Testimony, lines 446–455.
[12] Ibid.
[13] OCS Witness Daniel's Rebuttal Testimony, lines 251–252.

observation in Witness Daniel's Direct Testimony regarding "*the huge range in customer size for customers within the* [GS] *class*," or deny the need to define rate classes that contain more homogeneous customer groupings. Moreover, in the absence of a specific directive from the Commission that DEU should timely develop data to support the re-classification of GS customers, there is no reason to believe that the Commission and the parties will be better positioned to address these matters in a future proceeding.

V. TS RATE DESIGN ISSUES

Q. OCS WITNESS DANIEL'S REBUTTAL TESTIMONY AT PAGE 7, LINES 160-161 INDICATES THAT DEU IS PROPOSING A 45.6% INCREASE FOR THE TS CLASS. IS THAT ACCURATE?

A. No. The **45.6%** increase that Witness Daniel references understates the actual magnitude of the rate increase that DEU has proposed for the TS class. The overall revenue increase that the Company proposes for the TS class, as shown in DEU Exhibit 4.14 is 48.25% without consideration of MT Revenues and the Company's Lakeside Revenue Allocation. With the Company's Lakeside Revenue Allocation and MT revenues included, DEU shows a proposed revenue increase for the TS class of **50.31%**.

Q. ARE YOU SUPPORTIVE OF THE REVISED THREE-STEP PHASE-IN TO FULL COST-BASED RATES FOR TS CUSTOMERS THAT WITNESS HIGGINS' PRESENTS IN HIS REBUTTAL TESTIMONY?

A. I am supportive of a phase-in of the proposed rate increases for TS and TBF customers. I am **not** supportive of the specifics of Witness Higgins' proposals. His proposals, even as modified in his Rebuttal Testimony, fail to reflect the significantly above system average rate of return for smaller TS customers DEU identified in response to UAE's Data Request 2.01, Attachment 5. As a result, Witness Higgins' rate phase-in proposal for the TS class places inappropriately large increases on those customers who are already paying rates that are well in excess of their costs of service. In other words, his proposals would cause the already inappropriately high cost burdens for small TS customers to be further increased. The three-step phase-in of the revenue increase that I have presented in ANGC Exhibit 2.05R attached to my Rebuttal Testimony provides more equitable treatment of large and small TS customers while still incorporating gradualism considerations in the adjustment of rates.[14]

As shown in Witness Higgins' Rebuttal exhibit, UAE Exhibit 2.2R, the UAE's proposed phase-in of the revenue increase would adjust all of the volumetric block rates for TS customers proportionally and would nearly double the TS demand charges. By the end of UAE's proposed phase-in, TS demand

[14] I note, however, that the existing rate subsidies to Large TS customers have developed over a rather lengthy period time (certainly more than three years), and in that context it is certainly within the Commission's discretion to allow a phased movement toward full cost-based rate for those customers to extend over a period of more than three years. A revenue adjustment process that would extend beyond the Company's next rate case might provide for more reasonable rate impacts.

charges would increase by nearly 96%, placing larger than average increases on lower load factor TS customers. Given that smaller TS customers are also more likely to have lower load factor gas use requirements, the Company's Small TS customers (i.e., TSS customers who already are paying more than their allocated costs of service) would bear an inappropriately large share of the overall TS class rate increase. My rebuttal proposal (presented in ANGC Exhibit 2.05R), that splits the current TS class into separate TSS and TSL rate classes, provides a more equitable treatment of Small TS customers.

Q. OCS WITNESS DANIEL'S REBUTTAL REITERATES THE RECOMMENDATION PRESENTED IN HIS DIRECT TESTIMONY THAT "*DEU SHOULD BE REQUIRED TO PROPOSE A TRANSPORTATION SERVICE RATE SCHEDULE FOR SMALLER CUSTOMERS IN THEIR NEXT RATE CASE*."[15] DO YOU SUPPORT HIS PROPOSAL?

A. No. The evidence I have presented based upon DEU own analyses demonstrates a substantial difference in the rate of return performance of TSS and TSL customers where the dividing line for those rate classifications is set at 35,000 Dth of annual gas use. As shown in ANGC Exhibit 2.01R, page 1 of 2; DEU's COS results show that TSS customers have been providing a well above system average rate of return, while TSL customers have had a substantially below system average rate of return. Moreover, I demonstrate in ANGC Exhibit

[15] The Rebuttal Testimony of OCS Witness Daniel, page 14, lines 309-311.

2.03R and ANGC Exhibit 2.01SR that alternative weightings of design day and annual throughput requirements for the allocation of distribution demand costs do not substantially alter the relative rates of return for TSS and TSL customers. The table below summarizes the TSS and TSL rates of return under the alternative demand weightings suggested by ANGC and UAE, OCS, and DEU in this proceeding:

Table 1SR

Impact of Alternative Weightings for Design Day Demand And Annual Throughput on TSS and TSL Rates of Return

	Design Day/ Annual Throughput Weighting	TSS Return on Rate Base	TSL Return on Rate Base
ANGC and UAE	68/32	8.99%	1.49%
DEU	60/60	9.11%	0.75%
OCS	50/50	9.27%	-0.03%
System Average ROR		6.93%	6.93%

All of these COS results indicate that the TSS rate of return is more than 200 basis points above the system average rate of return while the TSL rate of return is far below the system average rate of return. Delaying the creation of TSS and TSL classes may appear to be a reasonable answer for a witness whose clients are not directly affected by this issue. It is not a reasonable

answer for smaller TS customers who are directly and adversely impacted by the Company's TS rate proposals in this proceeding.

The data in Table 1SR strongly suggest that if there is a need for a moratorium on customer additions to the TS class, it is for a moratorium on new large TS customer (i.e., TSL customer) additions.

Q. BOTH DEU WITNESS SUMMERS AND OCS WITNESS DANIEL ARGUE THAT A MORATORIUM ON THE MIGRATION OF ADDITIONAL GS CUSTOMERS TO THE TS CLASS IS NECESSARY TO STABILIZE RATE DESIGN PARAMETERS AND AVOID FURTHER EROSION OF TS CLASS COST RECOVERY. HOW DO YOU RESPOND?

A. Again, their concerns are misplaced, and ignore available cost of service evidence in this proceeding that shows TSS customers (i.e., TS customers using less than 35,000 Dth per year) providing a well above average rate of return. In that context, there is **no justification** for proposals that would restrict further movement of customers using less than 35,000 Dth per year from migrating from the GS class to transportation service.

Q. DO YOU ACCEPT WITNESS SUMMERS' REPRESENTATION (AT PAGE 20, LINES 487-489) THAT APPLICATION OF DEMAND AND ADMINISTRATIVE CHARGES TO THE COMPANY'S LONE MT CUSTOMER "WOULD NOT CHANGE THE AMOUNT PAID BY THAT CUSTOMER"?

A. No. Witness Summers' argument is premised on the assumption that the revenue requirement for the MT class is set in a manner totally independent of any cost of service considerations. However, the MT class is included with the TS class for cost allocation purposes, and there is nothing in that analysis that enables the Company or this Commission to differentiate the cost recovery performance of the MT class from that for the TS class. In that context, we should expect to see the MT class receive the same overall revenue increase as the TS class. But, DEU has proposed a **decrease** in its overall revenue requirement for Rate MT while the TS class would experience an overall revenue **increase in excess of 50%**. DEU offers no justification for this dramatic difference in its treatment of its MT and TS customers. Moreover, the Commission is provided no basis for assessing the appropriateness of the level of cost recovery derived from the Company's MT customer. Again, sound application of cost of service considerations is noticeably lacking.

Only by applying rates to DEU's MT customer that are comparable to those billed to TS customers would this Commission be provided any basis for assessing the reasonableness and appropriateness of the charges DEU proposes to apply to its rate schedule MT customer. Again, given that the Company's MT customer is treated as part of the TS class for cost allocation purposes and no information or analysis is provided to show the actual level of cost recovery from that customer, this Commission can only conclude that DEU's

differentiated revenue increases for TS and MT service are unduly discriminatory.

Q. SHOULD THE COMMISSION ACCEPT WITNESS SUMMERS' REPRESENTATION (PAGE 20, LINES THAT ANGC WITNESS CHISHOLM'S "*SIMPLE COMPARISON TO OTHER STATES* … COMPLETELY IGNORES THE IMPORTANT HISTORY THAT HAS RESULTED IN THESE POLICIES, RATES, AND AGREEMENTS, AND THE SPECIFIC NATURE OF DEU'S SYSTEM?

A. No. Witness Summers' Rebuttal gives the impression that the "*history*" of "*policies, rates, and agreements*" to which he refers has necessarily built a sound foundation for DEU's transportation service rates and policies. Yet, his own Direct Testimony highlights his perception of major ratemaking problems that have resulted from that history of "*history*" of "*policies, rates, and agreements.*" DEU might be better served attributing more time to comparisons of its practices with those used for transportation service offerings in other states, and developing a more substantive basis for how the specific characteristics of DEU's system sets it apart from the other jurisdictions with respect to the structuring of transportation service rates and the needed offerings. As explained by DEU Witness Summers, the Company's current policies are premised on nothing more than allegations of potential harms and undocumented characteristics of the DEU

system that purportedly differentiate DEU and its Utah gas distribution utility operations from utilities in other states.

VI. TS ADMINISTRATIVE CHARGE

Q. WHAT IS YOUR ASSESSMENT OF THE REVISED ADMINISTRATIVE CHARGE ANALYSIS THAT DEU WITNESS SUMMERS PRESENTS IN DEU EXHIBIT 4.01R?

A. The analysis presented in DEU Exhibit 4.01R only corrects for a previously recognized error in the costs the Company had included in its Administrative Charge analysis. As I noted in my Direct Testimony, the Administrative Charge analysis previously presented in DEU Exhibit 4.12 erroneously included costs for Pioneer – TRM Tracker Software Support, which the Company noted in discovery was not actually used in its provision of services to TS customers. . :

Q. WITH THE CORRECTION PRESENTED IN DEU EXHIBIT 4.01R, SHOULD THE COMMISSION ACCEPT DEU'S ADMINISTRATE CHARGE ANALYSIS?

A. No. Although Witness Summers submits that the Company's Administrative Charge analysis is cost-based, the Commission must question the appropriateness of the costs included in that analysis and the extent to which those costs duplicate costs already included in other charges that DEU proposes for TS customers.

DEU did not directly track its incurrence of costs to support services provided to TS customers, rather it went back after the fact and estimated the costs it thought should be attributed to TS customer support activities. Also importantly, DEU offers no evidence that would suggest that its claimed Administrative Costs are incremental to the costs that it already allocated to the TS class in its class costs of service study, nor does the Company explain how its claimed Administrative Costs relate to cost classification categories to which it has assigned all of its allocated costs for each rate class.[16]

Q. DEU WITNESS SUMMERS TESTIFIES THAT REMOVING THE ADMINISTRATIVE CHARGE FROM RATE SCHEDULE TS WOULD SIMPLY RESULT IN AN INCREASE SOMEWHERE ELSE IN THE RATE DESIGN. DO YOU AGREE?

A. I do. However, where in the TS rate design those costs are recovered is important to the equity of charges applied to individual customers within that class. The Company's cost of service allocations for TSS and TSL customers indicate that DEU's current Rate Schedule TS charges substantially over-recover customer-related costs (including Administrative Costs) from TSS customers and under-recover customer-related costs for TSL customers. Thus, a reduction in

[16] See the "Classification" worksheet associated with each of the cost of service allocation models provided by DEU in this proceeding including DEU Exhibit 4.18; DEU Exhibit 4.02R; DEU's response to UAE Data Request 2.01, Attachment 5; DEU's response to DPU Data Request 11.01; Attachment 5, and DEU's response to USM Data Request 2.01, Attachment 5.

the level of per customer charges for TSS customers is necessary and appropriate.

To understand this matter more fully, the Commission must first recognize that the Company's class cost of service analyses are designed to address **ALL costs** included in DEU's requested revenue requirement in this case. Administrative costs are NOT an addition to the Company's overall costs of service and revenue requirement. However, since there is no separate classification for Administrative Costs in DEU's cost classifications, we must assume that DEU's Administrative Costs are included in its allocated Customer Costs.

DEU's response to UAE Data Request 2.01, Attachment 5, includes a spreadsheet labeled "Classification." From that spreadsheet I have extracted the data presented below in Table 2SR. Table 2SR indicates that the Company's allocated Customer Costs for TSS and TSL customers differ by more than an order of magnitude. The average monthly Customer Cost for TSS customers is **$139.31**. The average monthly Customer Cost for TSL customers is **$1,676.84**. Moreover, Table 3SR demonstrates that DEU's combined BSF and Administrative Charges for TSS customers over-collect the Company's allocated Customer Costs for those customers, while the same charges applied to Large TS customers (i.e., TS customers using more than 35,000 Dth per year) significantly under recover their allocated Customer Costs.

Table 2SR
Allocated Customer-Related Costs
Based on DEU's 60/40 Weighting of Design Day and Annual Throughput

	Allocated Customer Costs	Number of Customers	Annual Customer Costs per Customer	Monthly Customer Costs per Customer
TSS	$ 1,570,497	937	$ 1,671.17	$ 139.31
TSL	$ 4,646,274	230	$ 20,122.08	$1,676.84
Total TS	$1,616,882	1,109	$ 5,311.37	$ 442.61

Table 3SR
Monthly Customer-Related Revenue and Costs

	Customer Charge Revenue	Admin Charge Revenue	Customer + Admin Charge Revenue	Allocated Monthly Customer Costs[17]	Over-(Under-) Recovery
TSS					
BSF 1	$ 6.75	$ 375.00	$ 381.75	$ 139.31	$ 242.44
BSF 2	$ 18.25	$ 375.00	$ 393.25	$ 139.31	$ 253.94
BSF 3	$ 63.50	$ 375.00	$ 438.50	$ 139.31	$ 299.19
TSL					
BSF 2	$ 18.25	$ 375.00	$ 393.25	$ 1,676.84	$(1,287.92)
BSF 3	$ 63.50	$ 375.00	$ 438.50	$ 1,676.84	$(1,242.67)
BSF 4	$ 420.25	$ 375.00	$ 795.25	$ 1,676.84	$(885.92)

[17] The allocated monthly customer costs shown in this table reflect the average monthly costs for all customers within the TSS class and average monthly costs for all customers within the TSL class based upon the "Classification" worksheet found in DEU's response to UAE Data Request 2.01, Attachment 5. Although the Company's workpapers indicate that customers with larger meters have greater customer-related cost responsibilities.

VII. TIMING OF TS CUSTOMER ENROLLMENT

Q. WITNESS SUMMERS REBUTTAL TESTIMONY AT PAGE 18 OFFERS THE COMPANY'S RATIONALES FOR NOT OFFERING ON-GOING (ROLLING ENROLLMENT) OPPORTUNITIES FOR CUSTOMERS TO TRANSFER TO GAS TRANSPORTATION SERVICE. DO YOU FIND MERIT IN THE COMPANY'S POSITION?

A. No. Most gas distribution utilities that offer transportation services continue to have an obligation to provide gas supply to customers who wish to purchase such supplies from the utility. Yet, few find it necessary to impose the level of restrictions on when customers can transfer to transportation service and take advantage of often more economic competitive gas supply alternatives. I respect that the Company must arrange for gas supplies well in advance of each winter season, but the reality is that gas supply planning is always undertaken in the face of considerable uncertainties regarding the time and magnitude of the customer demands that the Company will have to serve. Variations in weather, changes in energy use efficiencies, and the addition or loss of customers cannot be predicted with certainty even in the absence of competitive gas supply alternatives.

Other gas utilities have found that they can meet their gas supply obligations while still providing customers substantial ability to choose when they transfer to gas transportation service. As I explained in my Direct Testimony,

there are established mechanisms in other jurisdictions for addressing concerns DEU Witness Summers discusses.[18] DEU has simply chosen not to investigate the details of those mechanisms and present its assessment of them for this Commission's consideration.

Further, my Rebuttal Testimony also observes that annual Dth of gas use that DEU expects to transfer to transportation service is small in comparison to the Company's overall gas supply requirements. As I noted in my Phase II Rebuttal Testimony (ANGC Exhibit 2R), the Attachment to DEU's response to ANGC Data Request 1.04 indicates that the migration the Company expects that would lower GS class annual throughput by only **837,883 Dth** or about **0.8%**. These impacts are small relative to DEU's overall gas supply planning requirements and small relative to potential weather related impacts on those requirements. Moreover, despite the Company's projected migration of customers from the GS class to the TS class, DEU projects a net growth in GS class annual gas volume requirements.

[18] The Wexpro concerns that Witness Summers discusses in his Rebuttal Testimony (page 18, lines 445-450) are not substantially different than those associated with the Company's overall gas supply. His suggestion that having customer enrollments in transportation service spread throughout the year "*could cause serious problems for both gas purchases and Wexpro production,"* has not been substantiated. He also, once again, ignores other potential remedies for such concerns. For example, while consulting for the Rhode Island Division of Public Utilities and Carriers, I worked cooperatively with the local gas utility to develop a mechanism under which a transportation customer who returned to gas sales service during the winter season without advance notice is subjected to a surcharge that enables the utility to recover any incremental gas supply costs such a return to gas sales service might impose. That mechanism has been in place for more than five years and has been implemented with few problems or complaints.

VIII. PEAK HOUR CHARGE

Q. WHAT IS DEU WITNESS SUMMERS' POSITION REGARDING PEAK HOUR COSTS IN THE SNG RATE?

A. Witness Summers testifies that customers who do not maintain uniform hourly use during a peak day use gas that Dominion purchases under peak hour contracts and should be required to pay for the services they use.

Q. HOW DO YOU RESPOND TO WITNESS SUMMERS' REBUTTAL REGARDING PEAK HOUR COSTS?

A. First, I fully agree that Transportation Service customers should pay for Peak Hour Costs to the extent that they use gas on less than a uniform hourly basis on peak days and rely on the Company to meet variations in their hourly gas supply requirements. However, Witness Summers' Rebuttal Testimony is less than fully expository on this matter and is **inconsistent** with provisions of the Company's tariff relating to "Hold Burn to Scheduled Quantity Restrictions" on tariff page 5-16 and gas revenues on tariff page 2-12.

Q. HOW IS WITNESS SUMMERS' REBUTTAL TESTIMONY INCONSISTENT WITH THE "HOLD BURN TO SCHEDULED QUANTITY RESTRICTIONS" ON PAGE 5-16 OF DEU'S TARIFF?

A. he "Hold Burn to Scheduled Quantity Restrictions" section on page 5-16 of the Company's Transportation Service tariff provide that when DEU determines such actions are required to maintain safe and reliable service, the Company will issue a **Hold Burn to Scheduled Quantity** restriction through and Operational Flow Order ("OFO"). As further established in that section of DEU's tariff:

> *The Company reserves the right to take any action reasonably necessary to restrict deliveries or usage **in order to maintain a balanced distribution system when required for system integrity**. A **balancing penalty** of $5 per Dth plus the Gas Daily Market Index Price gas cost will be applied to the lesser of 10% of the customer's usage during the restriction period, or the customer's gas usage in excess of the customer's confirmed scheduled quantity of gas received into the DEU system. For all additional usage in excess of the customer's scheduled quantity, the penalty will be $25 per Dth plus the Gas Daily Market Index Price gas cost.* (Emphasis Added.)

Firm sales service customers are not subject to such Hold Burn to Scheduled Quantity restrictions nor are they subject to imbalance penalties.

The Company's tariff also specifically provides that "***hourly measurement data will be used***" to enforce such restrictions, and that "[Transportation Service c]*ustomers failing to comply with a Hold Burn to Scheduled Quantity restriction issued by the Company **may also be subject to immediate termination or restriction of service***." In the context of these tariff provisions that are not applicable to sales service customers, DEU's inclusion of SNG peak hour costs in the demand charges billed to TS customers on the basis of their "Maximum Daily Contract Demands" cannot be justified.

Second, Witness Summers' Rebuttal Testimony inaccurately suggests that the penalties and procedures mentioned in my Direct Testimony "*are for different reasons than what the peak hour charges cover*."[19] However, page 2-12 of the Company's tariff specifically defines SNG Revenues to include "transportation imbalance charge revenues. As stated therein:

> *SNG Revenues = The sum of each firm and interruptible sales schedule's SNG rate multiplied by the respective sales volumes less the allowance for bad debt related to these revenues and* ***includes the sum of the transportation imbalance charge revenues*** *collected from transportation customers.* (Emphasis Added).

Q. SHOULD THE COMMISSION HAVE ANY FURTHER CONCERNS REGARDING DEU'S BILLING OF SNG CHARGES TO TRANSPORTATION SERVICE CUSTOMERS?

A. Yes. The Commission is asked to recognize that DEU's inclusion of SNG charges in the Demand Charges billed to TS customers is wholly inappropriate and unjustified. The Company's tariff requires that copies of the competitive gas supply contracts for TS customers must be provided to DEU by February 28th in the year they elect to transfer to transportation service.[20] The contracts TS customers provide specify both the **Firm Daily Contract Demand** and the **Maximum Hourly Flow Rate** for which the TS customer has contracted. Thus, DEU has information regarding each TS customer's daily and hourly contractual

[19] The Rebuttal Testimony of DEU Witness Summers, page 17, lines 417-419
[20] DEU Exhibit 5.01, page 5-2.

supply commitments to use in its planning of peak hour gas supply requirements. In addition, DEU requires that each TS customer location must have telemetering equipment installed (at the customer's expense), and telemetry provides DEU real time information regarding their hourly as well as daily usage. Thus, the Company has significant ability to manage the peak hour requirements of TS customers that it does not have in place for its gas sales service customers.

Further, the Commission is asked to recognize that DEU bills Peak Hour SNG costs to TS customers on the basis of TS customers' "Maximum Daily Contract Demands," not on measures of TS customers' contributions to the Company's peak hour service requirements. If "Peak Hour Costs" are to be billed to TS customers, they should only be billed on the basis of their measured Peak Hour use, if any, in excess of their contracted **Maximum Hourly Flow Rate** for which no imbalance penalty charges are assessed. Yet, that is not DEU's practice. DEU bills TS customers SNG charges on the basis of their **full Maximum Daily Contract Demands** even though those demands are satisfied fully by their third-party competitive supplier. As a result, DEU is billing SNG costs to TS customers on an inappropriate measure of demand (i.e., on Daily Demand as opposed to excess Peak Hour demands). In doing so, DEU ignores the fact that TS customers are subject to penalty charges and/or termination of service if they contribute to peak hour gas supply requirements during a period that DEU determines it must take action to ensure a balanced distribution system for system integrity purposes.

IX. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING COMMENTS?

A. I do. Interclass and intra-class rate subsidies are at the core of the issues before the Commission in this phase of the proceeding. Throughout DEU's current rate offerings, the ties between the Company's costs of providing service and the rates billed to customers, if any, are almost non-existent. A key focus of the Commission in this proceeding should be on identifying cost allocation methods that reflect actual cost-causative relationships for DEU and enable the Company to design rates in a manner that equitably assigns cost responsibilities both among rate classes and among individual customers within each rate class. The Company's desire to move toward more cost-based rates is reasonable. But, after years of non-cost based charges and significant interclass and intra-class rate subsidies, the economic dislocations that can result from a one-time adjustment to rates (or even a three-step phase-in of rate adjustments implemented over a period as short as two years) could be substantial.

DEU entered this proceeding arguing that the migration of smaller commercial, industrial, municipal and institutional customers from gas sales service to transportation service has significantly eroded its cost recovery from the TS rate class. However, the record ANGC has developed shows that to be a false premise. In fact, DEU has earned a rate of return from TS customers using less than 35,000 Dth per year in the range of **9.00%** while its system average

rate of return at present rates is less than 7.00%. In other words, Small TS customers have paid rates well in excess of their fully allocated costs. DEU's service to Large TS customers, on the other hand, is heavily subsidized, and the Company's rate of return from those customers indicates that they are paying significantly less than their fully allocated costs of service.

In the context of these results, no justification exists for restricting migration of smaller customers to the TS class. Small TS customers are contributing in a very positive manner to the Company's earnings and, contrary to DEU's representations, Small TS customers are not the source of its TS class cost recovery problems. Moreover, ANGC's testimony in this proceeding documents multiple instances in which DEU's existing and proposed policies and charges for TS customers, and particularly for Small TS customers, unjustifiably add to the costs that are billed to those customers. Through inappropriately high Administrative Charges, unjustified billing of peak hour SNG costs to TS customers, unduly restrictive TS enrollment procedures, and an unwarranted restriction of further migration of sales service customers to TS rates, DEU is improperly discouraging further expansion of its TS class and denying customers opportunities to lower their overall costs of gas service. DEU's rates and policies that discourage use of transportation service need to be terminated.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes. It does.

COST OF SERVICE SUMMARY AND ALLOCATIONS TO RATE CLASSES

*DEU Response to UAE Data Request 2.01, Attachment 5, COS Summary Revised for **50/50** Factor 230 Weighting*

	Description	Utah Jurisdiction DNG Related	Allocations to Rate Classes GS	FS	IS	TS	TSS < 35,000 Dth	TSL > 35,000 Dth	TBF	NGV
1	**NET INCOME SUMMARY**									
2	**Utility Operating Revenue**									
3	System Distribution Non-Gas Rev	378,376,157	343,132,042	2,672,222	186,328	0	10,526,646	17,723,918	1,500,658	2,634,344
4	System Supplier Non-Gas Reven	0	0	0	0	0	0	0	0	0
5	System Commodity Revenue	0	0	0	0	0	0	0	0	0
6	Pass-Through Related Other Rev	0	0	0	0	0	0	0	0	0
7	General Related Other Revenue	10,750,615	9,772,068	63,656	3,054	0	212,050	600,584	83,689	15,514
8	Total Utility Operating Revenue	389,126,772	352,904,110	2,735,878	189,382	0	10,738,695	18,324,502	1,584,347	2,649,858
9	**Utility Operating Expenses**									
10	Gas Purchase Expenses									
11	Utah Value of Peaking Supply	0	0	0	0	0	0	0	0	0
12	Total Gas Purchase Expenses	0	0	0	0	0	0	0	0	0
13	O&M Expenses									
14	Production	(838,701)	(709,710)	(6,199)	(281)	0	(20,275)	(75,750)	(9,579)	(16,908)
15	Distribution	55,486,323	46,952,609	410,109	18,560	0	1,341,315	5,011,414	633,741	1,118,574
16	Customer Accounts	12,536,206	12,020,402	42,249	2,903	0	161,032	257,652	21,408	30,560
17	Customer Service & Information	3,047,465	2,326,920	39,201	30,642	0	194,371	416,918	31,709	7,703
18	Administrative & General	49,477,895	43,199,383	382,429	16,800	0	1,174,460	4,124,633	551,633	28,557
19	Total O&M Expense	119,709,188	103,789,604	867,790	68,625	0	2,850,903	9,734,868	1,228,911	1,168,487
20	Other Operating Expenses									
21	Depreciation, Depletion, Amortiza	85,423,490	74,458,512	639,105	29,431	0	2,057,430	7,225,571	966,355	47,085
22	Taxes Other Than Income Taxes	28,343,362	24,675,495	207,031	9,866	0	689,709	2,422,216	323,950	15,096
23	Income Taxes	29,744,657	29,550,730	189,591	17,116	0	1,059,413	(1,009,668)	(331,390)	268,865
24	Total Other Operating Expenses	143,511,509	128,684,737	1,035,728	56,413	0	3,806,552	8,638,118	958,915	331,046
25	Total Utility Operating Expenses	263,220,697	232,474,341	1,903,518	125,038	0	6,657,455	18,372,986	2,187,826	1,499,533
26	**NET OPERATING INCOME**	125,906,075	120,429,768	832,361	64,344	0	4,081,240	(48,483)	(603,480)	1,150,325
27	**RATE BASE SUMMARY**									
28	**Net Utility Plant**									
29	101 Gas Plant In Service	3,244,815,858	2,819,014,734	24,955,773	1,096,321	0	76,640,457	269,156,656	35,997,278	17,954,640
30	105 Gas Plant Held For Future Use	5,037	4,385	37	2	0	123	430	58	3
31	106 Completed Construction Not Clas	0	0	0	0	0	0	0	0	0
32	108 Accumulated Depreciation	(799,516,884)	(702,979,241)	(7,011,111)	(254,768)	0	(17,810,062)	(62,547,862)	(8,365,213)	(548,627)
33	111 Accumulated Amort & Depletion	(5,624,786)	(5,466,487)	(137,392)	(22)	0	(1,564)	(5,493)	(735)	(13,093)
34	254 Other Regulatory Liabilities	(404,258,011)	(352,555,388)	(3,056,292)	(138,640)	0	(9,691,915)	(34,037,419)	(4,552,198)	(226,160)
35	**Total Net Utility Plant**	2,035,421,214	1,758,018,004	14,751,014	702,892	0	49,137,039	172,566,313	23,079,190	17,166,762
36	**Other Rate Base Accounts**									
37	154 Materials & Supplies	24,807,024	21,659,129	191,741	8,423	0	588,846	2,067,992	276,575	14,318
38	164-1 Gas Stored Underground	0	0	0	0	0	0	0	0	0
39	165 Prepayments	2,774,808	2,422,698	21,447	942	0	65,866	231,317	30,937	1,602
40	190008 Accum Deferred Income Tax Fe	31,711,929	27,687,834	245,111	10,768	0	752,748	2,643,606	353,559	18,303
41	190008 Accum Deferred Income Tax Sta	7,523,879	6,569,134	58,154	2,555	0	178,595	627,214	83,884	4,343
42	235-1 Customer Deposits	(5,361,639)	(5,353,307)	(2,225)	(91)	0	(4,712)	(1,158)	(30)	(116)
43	252 Misc Customer Credits	1	1	0	0	0	0	0	0	0
44	253-1 Unclaimed Customer Deposits	(36,874)	(36,816)	(15)	(1)	0	(32)	(8)	(0)	(1)
45	255 Deferred Investment Tax Credits	0	0	0	0	0	0	0	0	0
46	282 Accum Deferred Income Taxes	(294,564,927)	(257,137,181)	(2,268,522)	(100,186)	0	(7,003,710)	(24,596,605)	(3,289,574)	(169,148)
47	Working Capital - Cash	13,938,535	12,169,800	107,735	4,733	0	330,860	1,161,960	155,402	8,045
48	**Total Other Rate Base Accounts**	(219,207,263)	(192,018,708)	(1,646,574)	(72,856)	0	(5,091,540)	(17,865,682)	(2,389,249)	(122,654)
49	**TOTAL RATE BASE**	1,816,213,951	1,565,999,296	13,104,441	630,036	0	44,045,499	154,700,630	20,689,941	17,044,108
50	Return On Rate Base- Actual	6.932337%	7.69%	6.35%	10.21%	0.00%	**9.27%**	**-0.03%**	-2.92%	6.75%
51	Return On Equity - Actual	9.05%	10.43%	8.00%	15.02%	-3.55%	13.30%	-3.61%	-8.85%	8.72%
52	Cost of Service (Line 25 + Line 26)	389,126,772	352,904,110	2,735,878	189,382	0	10,738,695	18,324,502	1,584,347	2,649,858
53	Deficiency (((Line 48 * Line 57) - Line 26) * T	19,249,740	786,800	240,241	(20,853)	0	**(902,353)**	**15,989,897**	2,933,761	222,248

Dominion Energy Utah

Docket No. 19-057-02

Assignment of Costs to Cost Classification Categories

For TSS and TSL Customers Using a 35,000 Dth Usage Threshold for TSL Customers

Based on 60/40 Weighting of Factor 230

From DEU's Response to UAE Data Request 2.01, Attachment 5, Classification

	TSS	TSL	Total TS
Customer	$ 1,566,714	$ 4,634,308	$ 6,201,022
Distribution Plant	$ 4,461,811	$ 12,296,183	$ 16,757,994
Throughput	$ 1,664,360	$ 4,285,659	$ 5,950,019
Demand	$ 2,013,400	$ 9,542,491	$ 11,555,891
Total	$ 9,706,285	$ 30,758,641	$ 40,464,926

Based on 68/32 Weighting of Factor 230

From DEU's Response to UAE Data Request 2.01, Attachment 5, with Revised Weighting

	TSS	TSL	Total TS
Customer	$ 1,581,154	$ 4,326,838	$ 5,907,992
Distribution Plant	$ 4,466,662	$ 11,384,227	$ 15,850,889
Throughput	$ 1,345,477	$ 2,939,524	$ 4,285,001
Demand	$ 2,261,590	$ 9,412,141	$ 11,673,731
Total	$ 9,654,883	$ 28,062,730	$ 37,717,613

Dominion Energy Utah

Docket No. 19-057-02

Comparison of Allocated Customer Costs and Combined Customer and Administrative Charge Revenues

TSS/TSL Split Based on a 35,000 Dth Usage Threshold

	TSS	TSL	Total TS
Customer Charge Revenue 1/	$ 1,247,615	$ 948,270	$ 2,195,885
Admin Charge Revenue 1/	$ 4,075,875	$ 842,625	$ 4,918,500
Combined Customer Charge and Admin Charge Revenue	$ 5,323,490	$ 1,790,895	$ 7,114,385
Allocated Customer Costs	$ 1,566,714	$ 4,634,308	$ 6,201,022
Over/(Under) Recovery of Customer Costs	**$ 3,756,776**	**$ (2,843,413)**	**$ 913,363**

1/ From DEU's response to UAE Data Request 2.01, Attachment 5, Rate Design worksheets.
2/ From DEU's response to UAE Data Request 2.01, Attachment 5, Classification worksheet.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Surrebuttal Testimony of Bruce R. Oliver for the American Natural Gas Council in Phase 2 of Docket No. 19-057-02 was served by email this 6th day of January 2020 on the following:

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