## **APPLICATION OF DOMINION ENERGY UTAH**

Docket No. 19-057-02

# EVIDENTIARY HEARING DAY 2 January 16, 2020

January 10, 2020

**ADVANCED REPORTING SOLUTIONS** 

801-746-5080 | office@advancedrep.com | advancedrep.com SALT LAKE | 159 West Broadway, Broadway Lofts, Suite 100 | Salt Lake City, Utah 84101 PROVO | 3507 North University Avenue, Suite 350-D | Provo, Utah 84604 ST. GEORGE | 20 North Main Street, Suite 301 | St. George, Utah 84770



BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -000-Application of Dominion ) Docket No: 19-057-02 Energy Utah to Increase ) Distribution Rates and ) Charges and Make Tariff ) Provisions - Phase II ) ) EVIDENTIARY HEARING DAY 2 Taken on Thursday, January 16, 2020 At 8:58 a.m. At the Public Service Commission of Utah 160 East 300 South 4th Floor Salt Lake City, Utah 84111 Reported by: Kimberly A. Harmon, RPR, CSR

ADVANCED REPORTING SOLUTIONS (801)691-1000

APPEARANCES -000-Commission Chairman Thad LeVar Commissioner David Clark Commissioner Jordan White For Dominion Energy Utah: Cameron L. Sabin, Esq. STOEL RIVES 201 South Main Street Suite 1100 Salt Lake City, Utah 84111 (801)578-6929clsabin@stoel.com Jenniffer Nelson Clark, Esq. DOMINION ENERGY UTAH 333 South State Street Salt Lake City, Utah 84145 (801)324 - 5394jenniffer.clark@dominionenergy.com For Division of Public Utilities: Justin C. Jetter, Esq. UTAH ATTORNEY GENERAL'S OFFICE 160 East 300 South 5th Floor Salt Lake City, Utah 84114 (801)366-0335jjetter@utah.gov For Office of Consumer Services: Steven W. Snarr, Esq. 5975 Pioneer Ridge Circle Salt Lake City, Utah 84108 (801)583 - 8989stevensnarr@hotmail.com

A P P E A R A N C E S (Cont.) -000-For Federal Executive Agencies: Major Scott L. Kirk Captain Robert J. Friedman Utility Law Field Support Center AFLOA/JACE-ULFSC 139 Barnes Drive Suite 1 Tyndall AFB, Florida 32403 scott.kirk.2@us.af.mil robert.friedman.5@us.af.mil For Utah Association of Energy Users and US Magnesium: Phillip J. Russell, Esq. HATCH, JAMES & DODGE, P.C. 10 West Broadway Suite 400 Salt Lake City, Utah 84101 (801)363-6363 prussell@hjdlaw.com For American National Gas Council: Stephen F. Mecham, Esq. 1180 1st Avenue Salt Lake City, Utah 84103 (385)222 - 1618sfmecham@qmail.com \* \* \*

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1	PROCEEDINGS
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3	
4	CHAIRMAN LEVAR: Okay. It looks like we
5	have everyone here. We'll begin. This is day 2 of
6	the evidentiary hearing in Public Service Commission
7	Docket 19-57-2, Application of Dominion Energy Utah
8	to Increase Distribution Rates and Charges and Make
9	Tariff Modifications.
10	When we when we had went into recess
11	yesterday, we were hearing a summary from
12	Mr. Bruce R. Oliver on behalf of American Natural Gas
13	Council. We had an objection raised by Dominion
14	Energy Utah, and we've considered the objection.
15	We've considered this issue in similar
16	issues in recent cases and considered them on a
17	case-by-case basis. One of the factors that we've
18	considered in the previous instances has been whether
19	testimony has been developed in surrebuttal and
20	changed in surrebuttal that would warrant live
21	sur-surrebuttal in hearing. And that has been an
22	issue that we've considered in the past, and that was
23	the case here.
24	If this issue had been brought to us at the

25 beginning of the hearing, where all parties would

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1	have had the benefit of knowing that there was an
2	intent to provide live sur-surrebuttal in the hearing
3	and had the opportunity to comment on it at the
4	beginning of the hearing and conduct their
5	cross-examinations accordingly, that might have been
6	a different scenario. But being presented
7	unannounced in the last hearing, the last with the
8	last witness of the hearing raises fairness concerns
9	to all parties and equity concerns to all parties.
10	So considering that, we are sustaining the
11	objection. And we will disregard any elements of
12	Mr. Oliver's summary that were not summarizing his
13	filed written testimony.
14	And with that, do we need another minute or
15	two to conclude his summary?
16	MR. MECHAM: We do.
17	CHAIRMAN LEVAR: Okay.
18	MR. MECHAM: Yep. So we'll recall
19	Mr. Oliver.
20	CHAIRMAN LEVAR: Okay.
21	Good morning. And you're still under oath
22	from yesterday.
23	THE WITNESS: Good morning.
24	CHAIRMAN LEVAR: Thanks.
25	THE WITNESS: Thank you.

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1	MR. MECHAM: Mr. Oliver, would you like to
2	conclude your summary?
3	THE WITNESS: Yes. There were three
4	elements
5	CHAIRMAN LEVAR: Is your microphone on?
6	THE WITNESS: I believe it is. The green
7	light
8	CHAIRMAN LEVAR: Okay.
9	THE WITNESS: Yes.
10	There are three elements of my
11	testimonies and I think most of them were
12	addressed in all three of the testimonies that I
13	did not have the opportunity to summarize yesterday.
14	All of those relate to the company's billing and
15	administration of TS service. Those elements are the
16	administrative charge, the company's enrollment
17	process, and the company's proposed billing of SNG
18	peak hour costs to TS customers.
19	I appreciate that the company has proposed a
20	reduction in its administrative charge. But the
21	proposed charge remains dramatically above the
22	administrative charge billed to transportation
23	customers by other gas utilities. Nothing in DEU's
24	operations in Utah justify such a higher
25	administrative charge. The costs included in DEU's

administrative charge are already included in its 1 fully-allocated costs of service. The administrative cost analysis that Witness Summers has presented, as 4 I discussed in my testimony, simply is a reallocation of those costs. Everything in the administrative charge is already included in the company's fully-allocated revenue requirement. 7

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Yet as I show on page 38 of my direct 8 9 testimony, in table 1, if you look at the combined 10 customer-related charges or BSF charges and the administrative charges billed by BSF class to TS 11 12 customers, they result in substantial overcollection 13 of the allocated customer costs in the company's own cost of service study as presented in DEU 14 15 Exhibit 4.18. The analysis I've presented on page 38 16 of my direct testimony has not been refuted by the 17 company.

18 Second, the enrollment process. I've 19 explained the DEU's restrictive TSA -- or TS 20 enrollment process is not justified by its Wexpro commitment. All gas utilities have an obligation and 21 22 a responsibility to plan for reliable delivery of 23 natural gas to their customers throughout the year, 24 and particularly during peak periods. Every gas utility I've dealt with -- and I've dealt with 25

utilities on these very gas planning types of 1 2 issues -- they start in the late spring and early 3 summer, planning their requirements for the next 4 winter to make sure that they'll have adequate There's nothing unique about the Wexpro 5 supplies. 6 relationship that changes that.

However, all gas utilities, including DEU, 7 face considerable uncertainties in their planning of 9 those peak hour requirements. And uncertainties 10 regarding small TS customer transfers pale in 11 comparison to the uncertainties that customers face, 12 as I said in my testimony, relating to weather and relating to the addition of customers on a growing 13 14 system.

15 When the company plans its gas supply in the 16 summer for the following year, they don't know what 17 the weather is going to be. They don't know what 18 their actual peak will be. They don't know how many 19 customers they will actually be adding during that 20 period. And the transfer of even 100 or 150 small TS 21 customers does not have a major impact on those 22 planning considerations. It's within the noise of the uncertainties, it's -- that they're already 23 24 dealing with.

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Moreover, as I also note in my testimony, if

you believe this remains a significant concern, there 1 2 are other ways to deal with it. In my work in 3 Rhode Island, I was instrumental in working with the 4 utility to negotiate a framework where if a customer came back to transportation service without adequate 5 6 notice during the winter period and the company had not had the opportunity to plan for their supplies 7 during that winter period, or if a new customer 8 9 wanted to take transportation service without 10 substantial advanced notice during that period, they 11 would pay a surcharge to compensate the utility for 12 any incremental costs that their use of gas during 13 that period would cause the utility to incur. 14 That mechanism has been in place for seven

15 or eight years now and has worked well. There have 16 been no problems. And it provides a very clear 17 signal to customers, when they're doing their 18 planning, that they need to think in advance and 19 avoid a situation where they could put the utility in 20 the situation where they would have to incur large 21 incremental gas supply costs to supply this new 22 customer's requirements.

23 So the idea that you need a once-a-year 24 enrollment window to address those problems is 25 totally unnecessary. And other utilities allow for

1 rolling enrollment with reasonable advanced notice --2 usually 60, 90 days advanced notice -- and do that 3 and still are able to plan reasonably and responsibly 4 for their gas supply without imposing costs on sales 5 service customers.

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Finally, I turn to the SNG peak hour costs. As I explained in my testimony, the tariff already addresses TS customers' use of gas in excess of their deliveries and in excess of their firm contract supply commitments from third parties.

There is nothing in TS customers' use of gas that is not already addressed within the tariff and for which billing or penalties or payments are prescribed in the tariff without the addition of the SNG peak hour charge. There have been suggestions that, "Well, there are different costs that this SNG peak hour is supposed to be addressing." But there's no documentation of how those are different than what the company is already providing for in the tariff.

If a customer, on any day, uses gas in excess of their deliveries -- not just in excess of their contract demands, but in excess of their deliveries -- they're subject to imbalance charges. At any time a customer uses gas in excess of a restriction, such as a hole to burn restriction or a

interruption, they're subject to penalties -- and
 sometimes very severe penalties -- for using
 additional gas supplies.

4 The company's proposal is asking to bill TS customers every month of the year based on their 5 6 contract demands, which are demands being supplied by a third party, which they have a commitment from a 7 third-party supplier to fulfill. Not incremental 8 9 requirements. But the company wants to bill these customers every month on that demand basis for 10 11 charges that are only incurred in exceptional 12 And there is already provision in the circumstances. 13 tariff to bill the customers in those exceptional 14 circumstances.

I strongly encourage the Commission to look carefully at the portions of the tariff that I've cited and at the entire TS proportions relating to this issue and find where it becomes necessary for the company to bill additional SNG peak hour costs to TS customers. It's not there.

Each of these three elements of the company's billing and administration of its TS service represents another inhibiting factor to customers using -- from -- for customers to use TS service or to overcharge them for the services that

1	they're receiving, and I strongly encourage, once
2	again, for the Commission to carefully consider
3	these.
4	Thank you.
5	MR. MECHAM: Does that conclude your
6	summary, Mr. Oliver?
7	THE WITNESS: It does.
8	MR. MECHAM: All right. Thank you.
9	Then I would move the admission of his
10	testimony, which I identified yesterday as his direct
11	being marked as ANGC 2 with ANGC 2.01 through 2.04
12	and Attachments A and B; his rebuttal is ANGC 2R with
13	ANGC 2.01R through 2.05R; and his surrebuttal being
14	marked as ANGC 2SR with Exhibits ANGC 2.01SR through
15	2.03SR.
16	CHAIRMAN LEVAR: If anyone objects to the
17	motion, please indicate to me.
18	(No response.)
19	CHAIRMAN LEVAR: I'm not seeing any
20	objections, so the motion is granted.
21	(ANGC Exhibits 2, 2.01 - 2.04, 2R,
22	2.01R - 2.05R, 2SR, and 2.01SR were
23	admitted.)
24	MR. MECHAM: Thank you. Mr. Oliver is
25	available for cross-examination.

Page 14

1	CHAIRMAN LEVAR: Thank you. Major Kirk or
2	Captain Friedman, do you have any questions for
3	Mr. Oliver?
4	MAJOR KIRK: No, sir. No questions.
5	CHAIRMAN LEVAR: Okay. Thank you.
6	Mr. Russell?
7	MR. RUSSELL: I do have a couple of
8	questions.
9	
10	CROSS-EXAMINATION
11	BY MR. RUSSELL:
12	Q. Mr. Oliver, you were in the hearing room
13	yesterday during Mr. Collins' testimony and
14	cross-examination; is that correct?
15	A. I was.
16	Q. And do you recall the testimony on
17	cross-examination regarding the NARUC manual?
18	A. I do.
19	Q. Do you have a copy of OCS Cross Exhibit 1 up
20	there? I know it was up there when
21	A. I don't.
22	Q. Let me give you a copy here.
23	You have referenced the NARUC manual in your
24	testimony, specifically in your surrebuttal
25	testimony, and the questions that I have for you

1	relate to some of your testimony relating to the
2	allocation of peak demand costs to interruptible
3	customers that were sort of highlighted in some of
4	the questioning yesterday. And I'd like you to look
5	at it's page 27.
6	Do you have that?
7	A. I have that.
8	Q. And under "Coincident Demand Method," the
9	first sentence there reads: "In the coincident
10	demand peak responsibility method, allocation is
11	based on the demands of the various classes of
12	customers at the time of system peak."
1 2	Do you have an understanding of whether
13	bo you have an underscanding of whecher
13 14	NARUC, in using the term "system peak," intends to
14	NARUC, in using the term "system peak," intends to
14 15	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they
14 15 16	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition?
14 15 16 17	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition? A. NARUC leaves that matter unclear. And yeah,
14 15 16 17 18	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition? A. NARUC leaves that matter unclear. And yeah, this was written in 1989, at which time we really
14 15 16 17 18 19	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition? A. NARUC leaves that matter unclear. And yeah, this was written in 1989, at which time we really didn't have cases like this one where you had the
14 15 16 17 18 19 20	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition? A. NARUC leaves that matter unclear. And yeah, this was written in 1989, at which time we really didn't have cases like this one where you had the cost of service trying to reflect a projected year.
14 15 16 17 18 19 20 21	NARUC, in using the term "system peak," intends to convey actual use or design day use or whether they have a definition? A. NARUC leaves that matter unclear. And yeah, this was written in 1989, at which time we really didn't have cases like this one where you had the cost of service trying to reflect a projected year. In this case, 2020. Even if you're trying to do,

Does that mean that you re 25 for the past year, or are you using estimated actuals

1	for the year that you're doing the cost of service
2	for? So it's yeah. The whole environment has
3	evolved since this was written, but it leaves a lot
4	of gray area in terms of what they're referring to as
5	"peak demand" and "coincident peak demand."
6	In my experience, you either have to seek a
7	weather-normalized coincident or non-coincident peak
8	demand measure, or you need to use a design
9	requirement where everything is designed on the
10	same or estimated on the same design criteria
11	which would be sufficient to meet your design peaks.
12	And most frequently, in my experience,
13	people use the design peak criteria because that's
14	what facilities are designed for, and that's what
15	causes the incurrence of cost.
16	Q. Okay. Thank you.
17	MR. RUSSELL: That's all I have.
18	CHAIRMAN LEVAR: Thank you, Mr. Russell.
19	Mr. Snarr, do you have any questions for
20	Mr. Oliver?
21	MR. SNARR: No questions.
22	CHAIRMAN LEVAR: Thank you.
23	Mr. Jetter?
24	MR. JETTER: I have no questions. Thank
25	you.

1	CHAIRMAN LEVAR: Okay.
2	Ms. Clark or Mr. Sabin?
3	MS. CLARK: Yeah, I have a couple questions,
4	thank you.
5	
6	CROSS-EXAMINATION
7	BY MS. CLARK:
8	Q. Mr. Oliver, you've testified that the
9	commission should split the TS class at a breaking
10	point of 35,000 dekatherms; is that correct?
11	A. I did.
12	Q. And would you agree that you could split the
13	class other ways using seasonal usage, load factor,
14	type of usage, like industrial or commercial or the
15	location?
16	A. There are lots of ways you can split
17	classes. I would submit that I have presented
18	compelling evidence that shows that there are
19	significant reasons to believe that something around
20	a 35,000 split, and any split, will have some gray
21	areas associated with it. But the 35,000, as I've
22	shown in I believe it's my Exhibit 2-2R 202R
23	give me a sec. Just a second there.
24	Page 1 of 2 shows a dramatic difference
25	between the rate of return for and the return

1	earned for customers using less than 35,000 and
2	customers using more than 35,000. And that alone, in
3	my experience, in my assessment, is a very compelling
4	reason to split the class at that level.
5	Q. Mr. Oliver, you've also indicated, in your
6	direct testimony at approximately line 48, that the
7	company's class cost of service analysis is I
8	think the word you used was "eroded."
9	A. Was what? I'm sorry.
10	Q. Let me let's do it this way: Let me have
11	you turn to your direct. And on page 24 of your
12	direct
13	A. Give me just a second, please.
14	Q. Sure.
15	A. I'm there.
16	Q. Around line 486, you say: "Yet DEU has
17	failed to properly examine the details of those costs
18	and ensure that those costs are allocated among
19	classes in a manner that reasonably reflects cost
20	causative relationships. As a result, the overall
21	accuracy and reliability of DEU's class cost of
22	service allocations is eroded."
23	Do you see that?
24	A. I see that.
25	Q. And didn't you rely on this very same

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 January 16, 2020
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 analysis when you proposed splitting the TS class?
 A. I do. But I think that these would be

 refinements in the cost results. I don't think that
 the issues I'm addressing here -- for example, as I

 noted in my testimony, the company has allocated all
 of its general administrative costs on general plant

 where many of those costs are actually incurred on a
 labor cost basis.

9 Most other utilities would allocate things 0 like pension costs and administrative salaries on a 1 labor cost basis. The company's done it all on plant 2 basis, and there's no nexus between the amount of 3 plant that the company has and the amount of costs 4 that they incur from many of those categories. I 5 think those refinements -- I don't think that they 6 dramatically change the cost allocation results that 7 we've been focused on.

Q. I want to turn your attention, Mr. Oliver, to your surrebuttal testimony at page 18.

A. 18?

Q. 18, yes.

A. I'm there.

Q. Starting at line 362, you say: "Few
residential customers have the knowledge and/or
access to experienced professional advice needed to

_	
1	identify and understand the potential cost impacts of
2	differences between utility charges and competitive
3	market gas supply offerings."
4	Do you see that?
5	A. I do.
6	Q. Would you say that that is equally true of
7	small commercial customers and small industrial
8	customers?
9	A. No.
10	Q. Okay.
11	A. Now, I've had a lot of experience dealing
12	with all types of customers on these issues, and I
13	regularly provide advice to customers trying to
14	evaluate supply alternatives. Customers of all
15	sizes. And you need to remember that many small
16	customers either are associated with larger customers
17	that also have larger accounts, and therefore have
18	the ability and the experience to deal with it,
19	and/or they buy in as part of a group that has
20	advice. Yes, there are some smaller customers that
21	don't have that same level of advice, but it's much
22	more acute within the residential class.
23	And I bring up this point in particular
24	because I've had a lot of experience in the
25	negotiation of competitive supply contracts. And

1 everybody thinks that when you go out to buy 2 competitive gas supply, you solicit bids and you take 3 the lowest price and you save money. But, in fact, 4 that's not the case.

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Every supplier wants to serve the customer using their paper, their contracts, their contract language. And no two are the same. And I've worked with people who have tried to do an auction process to get everybody to bid -- you know, they specify the terms and get everybody to bid to the same terms, and what happens is many suppliers refuse to sell on anything but they're own contract terms.

13 So you're always faced with this problem of 14 having to evaluate and understand very subtle terms Things like: What costs get within the contract. passed through and what costs don't? What are the 17 renewal terms?

18 I've seen contracts for small residential 19 customers where the supplier gave a very attractive 20 initial price, but they had a renewal provision that 21 at the end of the contract they would provide the 22 customer a new -- they could change the price and/or 23 the terms under which they were providing the 24 service. And if the customer didn't respond in a 25 written manner that they didn't want the new contract

1	within ten days which is a very short time to
2	identify and evaluate alternatives, particularly for
3	a residential customer they would be automatically
4	renewed for another year or two. You know, these
5	things, a commercial customer who has some advice
6	knows how to deal with. Many residential customers
7	aren't even aware of those subtleties.
8	MS. CLARK: Thank you. I have no further
9	questions.
10	THE WITNESS: Thank you.
11	CHAIRMAN LEVAR: Thank you, Ms. Clark.
12	Any redirect, Mr. Mecham?
13	MR. MECHAM: None, thank you.
14	CHAIRMAN LEVAR: Commissioner Clark, do you
15	have any questions for Mr. Oliver?
16	COMMISSIONER CLARK: No questions. Thank
17	you.
18	CHAIRMAN LEVAR: Commissioner White?
19	COMMISSIONER WHITE: No questions, thanks.
20	CHAIRMAN LEVAR: And I don't have any
21	others, so thank you for your testimony.
22	THE WITNESS: I appreciate the opportunity.
23	I'm sorry about yesterday.
24	CHAIRMAN LEVAR: Thank you.
25	Anything further, Mr. Mecham?

Page	23
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1	MR. MECHAM: Nothing from us. Thank you.
2	CHAIRMAN LEVAR: Anything further from
3	anyone? And I understand we have a oh, sorry.
4	Mr. Snarr?
5	MR. SNARR: I have one follow-up.
б	CHAIRMAN LEVAR: Okay.
7	MR. SNARR: Yesterday a question was asked
8	by Commissioner Clark related to tariff changes
9	related to the SNG charge and what the Office's
10	position was. We've looked at it, and we don't
11	oppose that tariff change.
12	COMMISSIONER CLARK: Thank you for
13	reporting.
14	MR. SNARR: Sure.
15	CHAIRMAN LEVAR: Okay. Thank you.
16	Anything else from anyone?
17	(No response.)
18	CHAIRMAN LEVAR: I do understand we have
19	a hopefully consensus filing in a couple weeks.
20	If it doesn't turn out that way, we'll we might be
21	back here in this room or or dealing with things
22	another way.
23	Our calculation shows that our order is due
24	on or before February 26th, so you can expect an
25	order on or before that date. Probably not much

1	1 before, if any.	
2	2 And with that, we	're adjourned. Thank you.
3	3 (Proceedings	concluded at 9:24 a.m.)
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REPORTER'S CERTIFICATE

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STATE OF UTAH COUNTY OF UTAH

I, KIMBERLY A. HARMON, a Certified Shorthand Reporter and Registered Professional Reporter, hereby certify:

THAT the foregoing proceedings were taken before me at the time and place therein set forth, at which time the witness was placed under oath to tell the truth, the whole truth, and nothing but the truth; that the proceedings were taken down by me in shorthand and thereafter my notes were transcribed through computer-aided transcription; and the foregoing transcript constitutes a full, true, and accurate record of such testimony adduced and oral proceedings had, and of the whole thereof.

I further certify that I am not a relative or employee of any attorney of the parties, nor do I have a financial interest in the action.

I have subscribed my name on this 24th

day of January, 2020.

Kimberly A. Harmon, RPR, CSR

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