Jenniffer Nelson Clark (7947)
Dominion Energy Utah
333 S. State Street
PO Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
(801) 324-5935 (fax)
Jenniffer.clark@dominionenergy.com

Cameron L. Sabin (9437)
STOEL RIVES LLP
201 S. Main Street, Suite 1100
Salt Lake City, 84111
(801) 328-3131
Cameron.sabin@stoel.com

Attorneys for Questar Gas Company
dba Dominion Energy Utah

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 **DOMINION ENERGY UTAH'S OPPOSITION TO UTAH ASSOCIATION OF ENERGY USERS' PETITION FOR RECONSIDERATION AND REHEARING OF REPORT AND ORDER ISSUED FEBRUARY 25, 2020**

Pursuant to Utah Code §§ 54-7-15 and 63G-4-301, and Rule R746-1-801 of the Utah Administrative Code, Questar Gas Company dba Dominion Energy Utah (Company or Dominion Energy) hereby submits its Opposition (Opposition) to the Utah Association of Energy Users' Petition for Reconsideration and Rehearing (Petition) of the Public Service Commission of Utah's ("Commission") Report and Order Issued February 25, 2020 (Order). As discussed below, Dominion Energy opposes the Petition to the extent it seeks to alter the March 1, 2020 TS rate increase set forth in the Order, and to the extent it seeks to extend the timeframe for full implementation of the TS rate increases beyond the current 2021 date. These proposed revisions requested by the Utah Association of Energy Users (UAE) are not justified and would create significant administrative burdens, result in substantial customer confusion, and prevent the Company from being able to have more accurate data for both the investigatory docket the Commission has ordered and the Company's next general rate case. Dominion Energy expresses no opinion on whether the Commission should change the specific rate increase figures for steps two and three of the TS rate increase process, as UAE proposes.

BACKGROUND

I. The Parties Agreed that TS Rates Should Be Increased in Three Phases, and the Company Proposed a More Accelerated Implementation Schedule.

In its Petition, UAE correctly notes that, in this proceeding, Dominion Energy proposed that the Commission bring the TS class to full cost of service before the next general rate case.[1] It further acknowledges that UAE supported this proposal, as did the Division of Public Utilities (DPU) and the Office of Consumer Services (OCS).[2] UAE also correctly states that, by the time of the Phase II hearing in this proceeding, there was general consensus between the parties that the TS rate increase should occur in three steps, although the parties disagreed over the timeframe of those steps, as well as the specific percentage increases for each step.[3] The Company proposed a three-step phase-in for the rate increase, with an initial 25% increase to occur on March 1, 2020, and the remaining two increases of 25% and 50%, respectively, to occur "in connection with DEU's first annual IT applications in both 2020 and 2021."[4]

The timing of the proposed phased increases was a primary issue for the Company in this proceeding. This was driven by two primary concerns. First, while Dominion Energy was

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[1] Petition at 2.
[2] *Id.* at 2.
[3] *Id.* at 2-5.
[4] Order at 37.

generally supportive of a gradual approach to bringing the TS class to full cost of service, it objected to a process that would be unnecessarily delayed, as that would further exacerbate the inter-class subsidization that already exists.[5] As Mr. Summers stated, "[t]he Company [could] support a gradualism approach that move[d] all classes, other than the TBF class, to full-cost rates in a timely manner, provided that the approach resolve[d] the TS class subsidy in a reasonable time period."[6]

Second, the Company explained that, for future rate design data to be as accurate as possible in the next rate proceeding, the TS rate increases needed to be completed such that there would be sufficient time for the TS class to "settle" so the Company could gather better cost-of-service and rate design data prior to the next general rate case.[7] With that more accurate data, Dominion Energy could identify where intra-class subsidization is occurring and design rates that eliminate or reduce those subsidies as part of the next general rate case.[8] It was for these reasons that the Company proposed to have the phased rate increases be completed by mid-2021.

II. The Rate Increase Approach Ordered by the Commission

In its Order, the Commission acknowledged that moving all classes to their full cost of service is in the public interest and that there was consensus among the parties on doing that for the TS class using a three-phased rate increase process.[9] However, the Commission noted that the parties "differ[ed] with respect to the method of gradualism or the size of the steps and the length of time allowed to remove the inter-class subsidies enjoyed by the TS and TBF rate classes."[10] As

[5] Phase II Rebuttal Testimony of Austin Summers at 8:198-99.
[6] *Id.* at 199-201.
[7] Direct Testimony of Austin Summers at 26:678-94; Summers Phase II Rebuttal Testimony at 10:227-30; 11:255-59; Phase II Hearing Transcript at 14:15-21; 15:5-9; 17:11-18:14; 69:17-70:10; 105:12-06:11.
[8] *Id.*
[9] Order at 36.
[10] *Id.*

such, after reviewing the parties' positions, the Commission recognized the need to balance the public interest in eliminating inter-class subsidies with the need for some gradualism, stating:

> We affirm that moving each class to its full class cost-of-service recovery is in the public interest and the rates we adopt in this case will achieve that end, albeit over the next one and one-half years. It is intuitive that moving the TS and TBF classes to full cost recovery gradually requires other classes to continue to bear some share of the TS and TBF class cost responsibility in the interim. In light of the magnitude of the necessary TS and TBF rate changes, and given that, compared to current rates, the cost burden borne by other classes is small and of relatively short-term duration, we find that the gradual movement to full cost-of-service TS and TBF rates in this case will serve the public interest.[11]

The Commission then ordered as follows:

> ***Given the absence of consensus on the preferred pace of transition to full cost-of-service rates for the TS and TBF classes***, we exercise judgement in selecting both the schedule for and amount of the proposed step rate change. We find providing TS and TBF customers time to enter into or leave contracts before the transportation class's rates are set to full class cost-of-service reasonable and in the public interest. Therefore, we conclude a three-step process, over approximately one and one-half years, will reasonably achieve this objective. The first step increase will occur on the rate effective date of this order; the second step will occur at the time of DEU's Fall IT filing in 2020; and the third will occur at the time of DEU's Fall IT filing in 2021. . . . We find and conclude that this method, the results of which are presented in Table 6 below, ***will result in just and reasonable rates, and is in the public interest***. The rates and charges reflecting the decisions in this order are presented in Tables 7 and 8, below.[12]

Under the Order, the Commission determined that the first step increase would be 50%, the second 25%, and the third 25%.[13]

C. UAE's Petition and Requested Relief

While noting that the Commission has broad authority in setting and implementing rates, in its Petition, UAE objects to the Commission's determination that full-cost rates for the TS and TBF classes should be implemented over a one-and-a-half-year period.[14] UAE also objects to

[11] *Id.* at 37-38.
[12] *Id.* at 38 (emphasis added).
[13] *Id.*
[14] Petition at 8-9.

the percentage increase amounts set by the Commission for the first step of the TS rate increase process.[15] In this regard, UAE argues that

> the Commission's Order increases rates on Utah commercial and industrial customers more aggressively than any proposal submitted by any party in this docket. The Commission's initial increase of 50% towards full cost of service is double the rate of the phase 1 increase proposed by UAE or DEU and is significantly higher than the 33% proposed by DPU and OCS.[16]

UAE maintains that nothing in the Order or the record "supports the Commission's decision to depart from the range of proposals presented to it by the parties."[17] UAE further contends that, in light of the Coronavirus epidemic, the Commission's TS and TBF rate-implementation schedule "appears particularly untimely."[18]

Based on these arguments, UAE requests that the Commission revise its Order to adopt one of two alternative approaches. First, UAE proposes that the Commission "reduce the initial increase on TS customers to 25% of the full cost of service increase from the rate effective date of March 1, 2020 through February 28, 2021, with corresponding changes to other rate schedules to achieve the target revenue requirement for DEU."[19] UAE states that "the revised order should account for the temporary imposition of 50% of the full target increase on the TS and the TBF classes that went into effect March 1, 2020, either through the recalculation of the initial rate increase or through a going-forward true-up implemented March 1, 2021 as part of the second step increase."[20] UAE proposes that the second and third step increases (equal to 37.5% respectively) should occur on March 1, 2021 and March 1, 2022.[21]

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[15] *Id.*
[16] *Id.* at 6-7.
[17] *Id.* at 7-8.
[18] *Id.* at 8.
[19] *Id.*
[20] *Id.* at 8-9.
[21] *Id.* at 9.

Alternatively, UAE proposes that, "if the Commission feels that it is too administratively burdensome to grant the relief" requested in UAE's initial proposal, the Commission should "reduce the impact of the second step of the phase-in by reducing it to 12.5% of the full-cost rate increase to the TS class."[22] In other words, under this alternative proposal, the TS rates would be held at their current levels for one year, with an additional 12.5% increase to occur on March 1, 2021 and a final 37.5% increase to occur on March 1, 2022.[23]

ARGUMENT

I. The Commissions' Order as to Implementation of Full Cost Rates for the TS Class Was Within the Commission's Authority and Is Justified.

UAE's Petition does not contend that the Commission erred or exceeded its authority in establishing the three-phase implementation process for TS rate increases set forth in the Order. Indeed, as UAE notes, the Commission has broad authority in determining how and when rate changes are implemented,[24] and the Order does not run afoul of the Commission's broad authority. For instance, in setting rates, the Commission may "establish, after hearing, new rates, fares, tolls, rentals, charges, classifications, rules, regulations, contracts, practices, or schedules in lieu of them."[25] In addition, the Commission "may, by rule or order, adopt any method of rate regulation that is: (a) consistent with [Title 54]; (b) in the public interest; and (c) just and reasonable," including, but not limited to, those set forth in Utah Code Ann. § 54-4-4.1(2).[26]

Furthermore, even if UAE were claiming that the Commission exceeded its authority or erred in the Order, UAE's arguments are unavailing. UAE asserts that the Order should be revised because no party proposed implementing a 50% increase in TS rates in March 2020.[27]

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[22] *Id.*
[23] *Id.*
[24] *Id.* at 7-8.
[25] Utah Code Ann. § 54-4-4(2)(b).
[26] Utah Code Ann. § 54-4-4.1.
[27] Petition at 8.

But the Commission was not obligated to adopt one of the proposals offered by the parties. It was free to order any rate implementation schedule or process that it determines is in the public interest. That is precisely what the Commission did in the Order.

Furthermore, UAE's argument—that the rate increase schedule and amounts reflected in the Order are "particularly untimely" due to the situation created by the COVID-19 virus—does not support revising the Order. While the Company is sympathetic to UAE's position and has itself experienced challenges resulting from the virus, the purpose of the rate increase at issue is to eliminate subsidization of TS customers by other residential and commercial customers—other customers who themselves have been impacted by COVID-19. As discussed below, those customers will be confused, frustrated, and economically impacted if the Commission were to reverse course, revise rates retroactively, and increase the rates during the pandemic to accommodate TS customers.

The Company submits that the Commission's approach to bringing TS rates to full cost, including its schedule and three-step increases, is just, reasonable and in the public interest. As such, Dominion Energy respectfully requests that the Commission deny UAE's Petition to the extent it seeks to adjust the March 2020 rate increase for the TS class or seeks to extend the completion date of the TS rate increase process beyond the current 2021 date.

II. Modifying the Order as UAE Proposes Will Be Administratively Burdensome, Cause Substantial Customer Confusion, and Delay the Company's Ability to Obtain More Accurate Cost of Service and Rate Design Data.

The Company also opposes changing the March 2020 TS rate increase or the 2021 date for bringing the TS class to full cost of service because doing so would cause significant problems for the Company, create confusion for customers, and delay Dominion Energy's ability to obtain the data it needs for the investigative proceeding ordered by the Commission and the Company's next general rate case.

First, from an administrative standpoint, Dominion Energy implemented the rates in the Commission's Order on March 1, and the March and April bills include these approved rates. If the Commission were to go back now and revise the March 2020 rates, the Company would have to re-bill over one million customers. This would be administratively burdensome for the Company. If the Commission was inclined to adjust the amount of the rate increases for steps two and three of the TS rate increase process, Dominion Energy would not oppose that change so long as it (i) did not change the percentage increase of the first step, and (ii) did not change the 2021 deadline for the implementation of the full-cost TS rates.

Second, Dominion Energy objects to UAE's request to revise the March 2020 TS rate increase because that change would, in addition to being administratively burdensome, cause significant customer confusion. The bills sent out by the Company since the Order were calculated using the March 1 Commission approved rates. Furthermore, the rebilling of over one million General Sales residential and commercial customers would in most cases create a higher "catch-up" bill for these customers in the month following the Commission's decision. This would, in turn, cause customers to question why their bills had increased, and create customer confusion at a time when there is already economic uncertainty.

Third, Dominion Energy opposes any revision to the March 2020 TS rate increase or a change to the 2021 date for full TS rate increase implementation because those changes would undermine the Company's attempt to obtain more accurate cost of service and rate design data to address intra-class subsidies in future proceedings. As Dominion Energy explained, its efforts in this proceeding were in part targeted at bringing all classes to their full cost of service to eliminate inter-class subsidies so that, when classes have settled following the corrected rates, the Company would be able to obtain more stable data to use in addressing intra-class subsidies in the next rate proceeding.[28]

In addition, as the Commission noted in the Order, based on the parties' collective intention to address intra-class subsidies in the next rate proceeding after full-cost rates had been implemented in this proceeding, the Commission made the following statements in ordering a future investigative proceeding between the parties:

> DEU states in surrebuttal "[t]he only certainty in the current record is that the current TS class is not covering its full cost. . . . There is not sufficient data in the record to show that any particular split of the TS class would be just and reasonable," that "[f]urther rate design analysis must occur before the [TS] class is split," and that "if [DEU]'s proposals are approved by the [PSC], the TS class will be moving toward full cost and its makeup will stabilize such that a more detailed analysis can be done."
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> Moreover, DEU "believes that, given the right guidelines, a collaborative group could effectively study these [TS rate design] issues before the next general rate case." We find that the current posture regarding TS intra-class issues precludes us from making findings requisite to address these issues adequately in this case.
>
> We also find that a separate proceeding following our final order on the rates in this case is an appropriate and reasonable means to evaluate the TS class composition and other cost allocation issues associated with rate classes. It will provide adequate time for study before DEU files its next GRC. Accordingly, we will establish an investigatory proceeding in a new docket shortly after the reconsideration period for this order concludes.[29]

If the Commission were to modify the Order and change the implementation timeframe for bringing TS rates to full cost as UAE suggests, the Company would not have time to obtain the more stable data it seeks for both the investigative proceeding ordered by the Commission or for the Company's next general rate case. Dominion Energy does not object to the Commission adjusting the percentage increases to TS rates for Phases II and III of the rate increase

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[28] Direct Testimony of Austin Summers at 26:678-94; Summers Phase II Rebuttal Testimony at 10:227-30; 11:255-59; Phase II Hearing Transcript at 14:15-21; 15:5-9; 17:11-18:14; 69:17-70:10; 105:12-06:11.
[29] Order at 44-45.

implementation process, but the Company submits that the other changes advocated by UAE are not justified and would create problems this proceeding was intended to solve.

CONCLUSION

For the foregoing reasons, Dominion Energy requests that the Commission deny the Petition to the extent it seeks to alter the March 1, 2020 TS rate increase set forth in the Order or seeks to extend the timeframe for full implementation of those rate increases beyond the current 2021 date.

RESPECTFULLY SUBMITTED this 9th day of April 2020.

/s/ *Cameron L. Sabin*

Jenniffer Clark (7947)
Dominion Energy Utah
333 S. State Street
PO Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
Jenniffer.clark@dominionenergy.com

Cameron L. Sabin (9437)
Stoel Rives LLP
201 S. Main Street, Suite 1100
Salt Lake City, Utah 84111
(801) 328-3131
Cameron.sabin@stoel.com

Attorneys for Dominion Energy Utah

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing **DOMINION ENERGY UTAH'S OPPOSITION TO UTAH ASSOCIATION OF ENERGY USERS' PETITION FOR RECONSIDERATION AND REHEARING OF REPORT AND ORDER ISSUED FEBRUARY 25, 2020.** was served upon the following persons by email on April 9, 2020:

Division of Public Utilities

Chris Parker	chrisparker@utah.gov
William Powell	wpowell@utah.gov
Patricia Schmid	pschmid@agutah.gov
Justin Jetter	jjetter@agutah.gov
Madison Galt	mgalt@utah.gov
Douglas D. Wheelwright	dwheelwright@utah.gov
Howard Lubow	hlubow@overlandconsulting.com

Office of Consumer Services

Michele Beck	mbeck@utah.gov
Cheryl Murray	cmurray@utah.gov
Steven Snarr	stevensnarr@agutah.gov
Robert Moore	rmoore@agutah.gov
Daniel Lawton	danlawtonlawfirm@gmail.com
Donna Ramas	donnaramas@aol.com
James W. Daniel	jim.daniel@gdsassociates.com
Camie Flowers	camie.flowers@gdsassociates.com
John W. Hutts	john.hutts@gdsassociates.com
Alla Strickland	alla.strickland@gdsassociates.com
Nicholas Weaver	nick.weaver@gdsassociates.com

Utah Association of Energy Users

Phillip Russell	prussell@hjdlaw.com
Kevin C. Higgins	khiggins@energystrat.com
Neal Townsend	ntownsend@energystrat.com
Courtney Higgins	chiggins@energystrat.com
Justin Bieber	jbieber@energystrat.com

Nucor Steel-Utah

Jeremy Cook	jcook@cohnekinghorn.com
Damon E. Xenopoulos	dex@bbrslaw.com

US Magnesium

Phillip Russell	prussell@hjdlaw.com
Roger Swenson	roger.swenson@prodigy.net

American Natural Gas Council

Stephen F. Mecham	sfmecham@gmail.com
Curtis Chisholm	cchisholm@ie-cos.com

Federal Executive Agencies

Scott Kirk	scott.kirk.2@us.af.mil

*Ann-Marie Liddell*______________________