BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO EXTEND GAS SERVICE TO EUREKA, UTAH	Docket No. 19-057-31

SUPPLEMENTAL DIRECT TESTIMONY OF

AUSTIN C. SUMMERS

FOR

DOMINION ENERGY UTAH

April 15, 2020

DEU Exhibit 1.0S

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I. INTRODUCTION

Q. Please state your name and business address.

A. Austin C. Summers, 333 South State Street, Salt Lake City, Utah 84111.

Q. Did you file direct testimony in this docket?

A. Yes. I submitted direct testimony on behalf of Questar Gas Company dba Dominion Energy Utah ("DEU", "Dominion Energy" or "Company").

Q. What is the purpose of your supplemental direct testimony in this Docket?

A. The purpose of my supplemental direct testimony is to provide an update to the Company's proposed change to its Utah Natural Gas Tariff No. 500 ("Tariff") that would include service lines as part of the proposed Rural Expansion Facilities (as defined in the Application and Amended Application) and to include the costs of those service lines in the Rural Expansion Tracker I outlined in my direct testimony. I also address certain issues raised in the direct testimonies filed by Mr. Orton and Mr. Ware in this matter.

Q. What general areas does your testimony address?

A. I outline the Company's proposal to include service lines in the Rural Expansion Rate Adjustment mechanism. I also offer support to and provide clarification about the process the Company employed in deciding to seek approval to serve Eureka, Utah first under HB 422. In addition, I address the information provided to residents of Eureka and offer ways the Company could keep Eureka residents informed going forward. I also address Mr. Orton's estimates and projections of participation in the program. I further discuss safety issues Mr. Orton raised related to converting from other fuel sources to natural gas. Finally, I provide an updated calculation related to the funds that can be used for rural expansion.

Q. Based on the analysis and discussion of the items mentioned above, are you proposing a change to the program as it is outlined in your direct testimony?

A**.** Though the Company's proposal for main lines remains the same, I am proposing to change the way service lines will be treated for the new Eureka customers. The Company originally proposed to address service lines in Docket No. 19-057-32. In that docket, the Company proposed to establish a GSE rate to allow Eureka customers to pay for their service lines over time. As described in the Amended Application, as a result of certain legislative amendments, the Company has withdrawn its Application in Docket No. 19-057-32 and is now proposing to include service lines in this docket, and to treat the service line costs in the same way as it would treat main line costs. I explain the mechanics of service line costs and cost recovery in this supplemental direct testimony.

With regard to main lines, I do not propose any changes to the program I described in my direct testimony. I do address some of the concerns raised by Mr. Orton. I do not believe these issues to be contentious, and I believe they can be resolved with additional information. This supplemental direct testimony provides that information and further demonstrates that the Company's request to extend natural gas service to Eureka is a prudent decision that should be approved by the Commission.

II. SERVICE LINES

Q. Why is the Company proposing a change to the way it would recover the costs of service lines for Eureka residents?

A. In the Company's communications with Eureka residents, one of the biggest concerns mentioned was the cost of transitioning to natural gas service. In response to previously filed testimony, the Utah Division of Public Utilities ("DPU") and the Office of Consumer Services ("OCS") also raised cost concerns as a barrier for residents to sign up for natural gas service. In my direct testimony, I observed that the "best way to ensure customer participation is to remove as many barriers as is reasonable and in the public interest." The Company's original proposal addressed this concern by proposing to establish a GSE rate to spread the payments for service lines over a period of years. I also mentioned on line 361 of my direct testimony in this Docket that one possible way to remove the cost barrier would be to include additional costs in the tracker. Given the legislative action this year, the Company is able to propose this very approach. Therefore, the Company proposes to include all service line costs in the Rural Expansion Rate Adjustment. This change addresses a significant portion of the cost barrier for Eureka residents to sign up for gas service, and part of the cost concerns raised by the Division and the Office.

Q. Why is the Company proposing to make this change now?

A. There are two events that led to the Company choosing this path. First, as I mentioned earlier, in 2020, the Legislature approved HB 129, which amended the definition of "rural gas infrastructure" in Utah Code Ann. § 54-17-401 to be "the acquisition, planning, development, extension, expansion, and construction of natural gas *utility facilities* to serve previously unserved rural areas of the state." (emphasis added). The prior definition was more limited and focused on main lines. The new, broader definition means, among other things, that the Company can now seek Commission approval under the amended statutory provision to include service lines in its proposed tracker recovery, as those lines are "natural gas utility facilities." HB129 passed and was signed into law by Utah Governor Gary Herbert on March 2, 2020.

The second event that contributed to this proposal was the Company's receipt of testimony from the DPU and the OCS in Docket No. 19-057-32. Witnesses from both the DPU and the OCS mentioned that the Company's proposal to use its pre-tax rate of return as the interest rate should be denied because that rate was too high and is likely higher than any loan a customer might be able to procure. While the Company understands these arguments, it notes that the pre-tax rate of return represents the amount the Company would be able to earn if the money were spent on other capital projects, and would be an appropriate rate to use in such a proposal.

The Company's new proposal resolves this concern by including the costs of service lines in the proposed tracker. It addresses the concerns about carrying costs and provides a way to remove or minimize cost barriers for Eureka residents to obtain service.

Q. Has the Company updated the requirements for a voluntary resource decision?

A. Yes. In DEU Exhibit 1.02, the Company summarized the requirements of applicable statutes and regulations and identified where in the Application and accompanying testimony and exhibits the Company provided evidence satisfying each requirement. With this supplemental testimony, I have provided an updated version of this Exhibit as DEU Exhibit 1.10S. Some of the requirements have not changed from the original application and testimony, while others have been updated to reflect the addition of the service lines to the project scope, and to show where those requirements relating to service lines are met.

Q. Has the Rate Adjustment Mechanism been changed from the original Application?

A. No. The Company is still proposing to use a tracker to recover the costs of the project. The original proposal included the costs of mains only. The Company is now requesting that the cost of service lines also be included in the tracker. I have updated DEU Confidential Exhibit 1.07 to include the costs of service lines. This model is attached as DEU Confidential Exhibit 1.11S.

Q. Does the Company propose to add all of the service line costs to the tracker at the same time the main lines are placed in the tracker?

A. No. The Company would install service lines only for those premises that request service. The Company would only request approval to include those service lines that have been installed and are being used. Upon approval of this Docket, the Company would begin construction of the main lines and would also start signing customers up for service. The Company would install as many service lines as possible while the IHP main system is being installed, as installing mains and services at the same time is more efficient and could reduce costs by taking advantage of economies of scale. If a service line is installed after the tracker that collects costs for the initial IHP system has been filed, the costs of that service line would be included in the next tracker filing.

Q. Will the Company track the main and service costs separately so that they can be compared to the original estimates?

A. Yes. The mains and service lines will be tracked separately by the Company's accounting department.

Q. How long will a customer have to get their service line installed and have it funded under this program?

A. Customers would have two years from the date the main lines go into service to sign up for service under this program. In other words, if a Eureka customer wants a service line but does not want to pay a portion of the service line costs up-front, they must sign up for service within two years of the date the main lines go into service. Using the proposed construction schedule, this would result in a sunset date sometime in the 4th quarter of 2023. The two-year limit is included to encourage customers to sign up for service quickly. After the two years have passed, new customers would need to pay for a portion of the service line using the normal service line extension policies in the Company's Tariff.

Q. Does Mr. Gill's service line estimate allow for growth in the community?

A. No. Mr. Gill's estimate is based on the estimated 360 existing residences and businesses that currently could become customers in Eureka. That estimate also assumes that all of the service-line work would be done at once, not over a period of time. If the service lines do not all go in at the same time, or if a new neighborhood development sought service within the 2-year timeframe, the costs would increase.

Q. Would it be appropriate to permit new construction to benefit from this policy?

A. Yes. Connecting as many customers as possible during that two-year period will optimize the investment in infrastructure there, while still managing the expenditures on this expansion. Also, there is no risk that approving this approach will provide the Company with approval for unlimited spending because, as I discussed in lines 373-383 of my direct testimony, the amount that can be spent on rural expansion is capped based on the increases to the DNG revenue. The more the Company spends in Eureka, the less it can spend in other rural areas. Providing a 2-year sign-up window will both maximize the number of residents who become customers, and appropriately limit the Company's spending on the project.

Q. Are you suggesting that the Company be given a "blank check" for service line requests made within that 2-year sign-up window?

A. No. The Utah Public Service Commission ("Commission") can rely on Mr. Gill's estimate for service line costs and, if the Company is in danger of materially exceeding that amount, it would seek Commission approval to do so. In his testimony, Mr. Orton observed that, with regard to the cost of mains, "The Company not be allowed to recover more than [the cost estimate presented] without bringing to the Commission clear, justifiable evidence showing the necessity to exceed this limit." The same is true with regard to service line costs.

Q. Is this program only to be used by existing customers or could new developments also use this program?

A. There are two investments being made in Eureka, both with their own specific budget. For mains, the Company plans to install the specific IHP main system outlined in Mr. Gill's testimony. That system has a defined area and any main extension outside of that area would be subject to the terms of the Tariff.

For service lines, the Company's cost estimate only included existing premises. Rather than limiting participation to just these customers, the Company proposes to allow all customers in the Eureka area to benefit from a service line included in the program during the two-year window. This not only eases administrative burdens, but also allows for the economic growth the Legislature intended. As I mentioned above, the Company is not requesting authority to spend unlimited capital. If the service line budget could not accommodate all of the service lines requested during the two-year window, the Company would need to request approval from the Commission to exceed that amount.

Q. If another rural expansion area can tie onto the Eureka main extension, will the new area be added under the rural expansion statute or the standard line extension policies?

A. The policy for each community will be determined on a case-by-case basis. If another community expresses interest in natural gas service that can be served by the Eureka main, then depending of the feasibility and the economics of the proposed expansion, the Company may choose to include it in this program or a similar program.

Q. Will the treatment of Eureka be the model for all other rural expansion areas going forward?

A. The Company anticipates using similar treatment in future rural expansion areas. However, some areas might have unique circumstances that require departure from this approach.

III. CUSTOMERS SIGNING UP FOR NEW SERVICE

Q. How will the Company notify customers that they can sign up for service?

A. Upon approval of this docket, the Company will work with local leaders to notify community members. In addition, the Company will place another insert into the water bills of the customers to notify them of the steps to take to obtain gas service. The Company will also canvass the area to notify customers and to help them sign up for service.

Q. Please describe the process for customers to switch from another fuel source to natural gas?

A. If a customer wants to receive natural gas service, they will first need to sign a service line request. This process is done online and provides the Company with the information on the property and the appliances that will be installed. Once the service line request is made, a pre-construction representative from DEU will contact the customer to discuss the installation of a service line. If this happens before the mains are installed in Eureka, the service line will be installed in conjunction with the main. If this occurs after the mains are installed, the service line will be installed as it is scheduled.

The customer will need to meet with a qualified contractor to discuss converting their appliances or getting new appliances installed. This can be done anytime, but since this involves costs to the customer, the Company will begin encouraging customers to prepare to take these steps once the Commission approves the extension of natural gas to Eureka.

The pre-construction representative will also schedule a meter to be set at the premises. Before a meter can be set, the Company will require a "clearance" from the city. This indicates that an inspector from the city has been in the home and verified that the fuel line within the home is sound and that all of the appliances have been installed appropriately. The Company will work with contractors doing the work and the city inspector to coordinate conversion efforts with minimal delays.

Q. At what point in this process does the Company consider the potential customer to be an active "customer?"

A. Once the meter is set and gas is flowing to the home, DEU considers the customer "active." This customer would then be subject to all Tariff charges and provisions for their customer class including any required deposits, connection fees, etc.

Q. At what point in this process will the Company's ThermWise® programs be available to help customers purchase qualifying efficient appliances?

A. Customers will be able to apply for rebates once they are an active customer as defined above. The Company recognizes that appliances could be purchased before the meter is set. In this case, each customer application would be reviewed for program compliance and any qualifying appliance installed before the meter is set would be given consideration for eligibility for a rebate. Rebate applications are required to be received by the Company within six months of appliance installation. This is consistent with ThermWise® rebate processing policies for new home construction.

IV. RATE CALCULATIONS

Q. Have you calculated the rates that will be charged to existing customers?

A. Yes. The rates are calculated in DEU Confidential Exhibit 1.11S page 3. I have included a legislative version of the Tariff sheets in DEU Exhibit 1.12S and the proposed clean Tariff sheets in DEU Exhibit 1.13S. These rates reflect the most recent Tariff changes from Docket No. 19-057-02. These rates and Tariff sheets are only for illustrative purposes. The rates will not change until construction is complete and the Company files an application to include the investment in the rural expansion rate adjustment.

Q. Have the rates been calculated to reflect the change in capital structure from the recent general rate case in Docket No. 19-057-02?

A. Yes. The Company has calculated the return on investment using the new pre-tax rate of return of 8.90%. This is lower than the 9.33% that was originally filed in this Docket.

Q. Have you calculated the effect of these changes on a typical customer bill?

A. Yes. If these illustrative rates were to be approved by the Commission, a typical customer using 80 Dth of gas each year would realize an annual increase of $1.85 or about 0.29% as shown on DEU Exhibit 1.11S, page 4.

Q. How much of this increase to a typical bill is due to mains, and how much is due to service lines?

A. If the Company were to install main lines only, a typical bill would increase by $1.78 annually, or 0.27%. Adding the service lines increases the typical bill by $0.07 to reach the total of $1.85.

Q. Will the assignment of costs to various rate classes change?

A. The Company will use the same approach of spreading the increase in costs to all rate classes through a change to the DNG Tariff revenues based on the bottom-line total Tariff revenues approved in the most recent general rate case. However, since the Company filed its initial position in December, its general rate case in Docket No. 19-057-02 has been completed. The Company has updated the spread of revenues in DEU Confidential Exhibit 1.11S page 2 to reflect the recent changes.

Q. Has the Company updated the spending caps based on the results of the most recent general rate case?

A. Yes. This issue was originally discussed in my direct testimony to fulfill Utah Code Ann. § 54-17-403(1)(c), but it was based on the 2013 general rate case. By way of review, Utah Code Ann. § 54-17-403(1)(c) provides that

> If the commission approves a request for approval of rural gas infrastructure development under Section 54-17-402, the commission may approve the inclusion of rural gas infrastructure development costs within the gas corporation base rates if: (i) the inclusion of those costs will not increase the base distribution non-gas revenue requirement by more than 2% in any three-year period; (ii) the distribution non-gas revenue requirement increase related to the infrastructure development costs under Subsection (1)(c)(i) does not exceed 5% in the aggregate; and (iii) the applicable distribution non-gas revenue requirement is the annual revenue requirement determined in the gas corporation's most recent rate case.

The distribution non-gas revenue requirement approved in Docket No. 19-057-02 is $391,436,970. Two percent of this amount is $7,828,739, which is therefore the dollar limit of revenue requirement increase permitted in any three-year period. Investing about $69.5 million of capital would increase the revenue requirement by that 2%. That amount is, therefore, the amount the statute would permit the company to spend over the course of three years. The 5% aggregate cap is also increasing from $125 million to $173.8 million as a result of the most recent general rate case. The cost of the Eureka project, including the service line costs, is well under these statutory caps.

V. CLARIFICATION AND EXTRA INFORMATION

Q. Did the Company conduct any quantitative analysis to determine whether Eureka was the best area to serve first?

A. The Company used both qualitative and quantitative factors to determine which rural community to serve first. As I discussed in my direct testimony, quantitative factors included determining which rural communities wanted service, the relative cost to serve each interested community, and each community's proximity to the Company's system. The Company also considered a number of qualitative factors, including community support for expansion, as well as the support of local governmental officials. While the Company did not maintain minutes of the Company meetings discussing these matters, it did provide documentation of the process, including summary analysis of questionnaires received from both community leaders in various rural communities, and a survey of residents of Eureka. In future rural expansion dockets, the Company will clearly identify and demonstrate why the community was chosen for expansion.

Q. Did the Company provide information to residents of Eureka detailing the cost of converting from other fuel sources to natural gas?

A. Yes. In addition to conversations at the open houses, Page 6 of DEU Exhibit 1.05 was shown on a display board at the open houses and was also printed for customers to take home. Under the heading, "WHAT YOU NEED TO KNOW," there is a question that asks, "Will I need to buy new appliances?" The answer to that question says, "In many cases, appliances can be converted from propane to natural gas. The costs of converting an appliance is the responsibility of the customer. Conversion and proper adjustment of appliances should be performed by a qualified contractor. If a propane appliance cannot be converted, a new appliance will be required."

Q. Did the Company provide residents of Eureka with cost estimates for replacement appliances and installation?

A. No. The cost for conversion can vary widely depending on each customer's preferences and needs. Dominion Energy Utah does not sell or install appliances, nor has it inspected the home of each prospective customer to determine what each customer will need. Some customers will only need to adjust an appliance's orifices. Others may require replacement of appliances. Still others may require installation of fuel lines and venting. The Company cannot accurately provide such information to each and every customer without sending a qualified contractor to each home and assessing each home's need. Moreover, the Company is in no position to know what appliance, among those available on the market, most appeals to each customer. Put simply, any attempt to put a generalized cost to convert would be highly speculative and almost certainly inaccurate for most customers. Therefore, the Company did not do so and will encourage customers to hire a contractor of their choice and to obtain an estimate based upon their own individual needs and preferences. The Company has prepared DEU Exhibit 1.14S, which is an example of frequently asked questions (FAQs) that will be distributed to Eureka homes and businesses. Some of the FAQs encourage customers to contact a qualified heating contractor. This would be placed into water bills in Eureka and would also be provided to customers during the sign-up process.

Q. Will customers still sign up for natural gas service if they must pay for conversions or new appliances?

A. Our experience shows that they will. The fact is, in the majority of areas to which the Company has extended natural gas service, customers have made the switch. This is true not only in large cities like St. George and Cedar City, but also in smaller communities like Fillmore, Delta, Beaver, and Richfield. In the case of Eureka, there are fewer hurdles than in prior expansion areas because customers in Eureka won't be paying for the main line extension or the individual service line. In lines 124-140 of Mr. Orton's direct testimony, he suggests that far fewer customers will convert to natural gas service than the Company estimates. It is notable that all of the obstacles he identifies existed in the communities I mentioned, and customers in those communities still opted to take natural gas service.

Q. Do customers need to replace all of their appliances at once?

A. Not necessarily. For example, a customer who uses propane for their furnace may use electricity for their water heater. In this case, a customer could convert their furnace to natural gas immediately and wait to replace their water heater with a natural gas appliance.

Q. Are there resources available for low income customers?

A. Yes. Dominion Energy recognizes that the costs to convert to natural gas from another fuel source may be prohibitive for some customers without further assistance. The Company also notes that Six County Association of Governments ("Six County") provides resources to such customers and invited Six County to the open houses in Eureka. I discussed the programs Six County offers for low income customers in lines 431-444 of my direct testimony. A low-income customer could obtain a low-interest-rate loan from Six County to help with the necessary appliance work.

Q. If a customer heats with wood, does that mean their home doesn't have duct work?

A. Not necessarily. Many residents in Eureka have a propane furnace, though they use wood to save money. Out of all the respondents to the survey that said they use wood to heat their home, only 10 listed wood as their only heat source. This shows that most customers do have ducts in place. This is true in older homes as well. My grandparents owned a home in Fillmore, Utah that was built in 1875. Prior to natural gas, it was heated with a coal furnace, but the duct work was in place, even in this pioneer-era home.

Q. Should the Company refuse to serve Eureka simply because it is a low-income community?

A. Absolutely not. If anything, low-income areas are arguably in greater need of natural gas service than more affluent communities. Indeed, HB 107 was designed specifically to enable expansion into rural communities that cannot afford to pay for such expansions themselves.

The natural gas service offered may also be significantly less expensive than current fuel sources, and the availability of natural gas will encourage economic growth in the area.

Q. Have the businesses and homeowners in Eureka been impacted by the recent economic slow-down caused by COVID-19?

A. After discussing this with Mayor Castleton it appears that Eureka and its residents are experiencing similar struggles as the rest of the state. Those who can work from home are working from home. There are some who are furloughed, while others continue to commute to Tooele and Utah Counties for their essential jobs. The restaurants are offering takeout service but business is slower than usual. At this point, the Company does not believe that the current economic situation would result in lower participation rates since the availability of natural gas is still about 18 months away. Customers will also have an additional two years from that point to take advantage of the programs being proposed.

Q. Do you have any concerns about Mr. Orton's calculation of customer participation?

A. Yes. On lines 151 and 152 of his testimony, Mr. Orton erroneously assumes that the customers that did not fill out a survey do not want to sign up for natural gas service. The fact is, we don't know what those customers' preferences will be. But if 96% of the survey respondents (the sample), say they do indeed want gas, one could then extrapolate this same 96% interest to the population of 360, which would yield 331 customers, not 190. Reducing the customer count from 360 to 331 would lead to a reduction in revenue of about $8,000. For purposes of this testimony, I calculated the revenue assuming all of the potential 360 customers would sign up. However, Mr. Orton is correct: whether 190 or 360 customers sign up, it will have minimal impact on the overall cost of the rural expansion project proposed in this proceeding.

Q. Has the Company updated its forecast of customer participation in the first two years?

A. No. The Company has several sources to gauge interest in the community. The first source is the prospective customer surveys that were filled out prior to filing the Application in this Docket. The surveys showed a high level of interest. In addition to the surveys, the

Company had face-to-face discussions at the open house where most of the Eureka residents present also expressed very high interest. Finally, the Company's experience in other expansion communities shows that customers ultimately switch to natural gas. Since legislation allows all of the line costs of rural expansion to Eureka to be spread among all existing rate payers, the financial hurdles for Eureka customers to overcome are low enough that the Company anticipates high participation.

Q. Has the Company done any additional research regarding the safety concerns related to customers switching from using propane to using natural gas?

A. Yes. The Company met with Mayor Castleton and the city inspector to discuss keeping customers safe.

Q. Who will inspect the homes to ensure they are safe to receive natural gas?

A. Eureka has hired a contract inspector to inspect each home or business and to give approval before the Company will install a meter. City officials have indicated that this particular contractor is familiar with natural gas appliances, fuel lines and venting. In fact, this inspector does building inspection for many cities in Utah County.

Q. Is this process different than the process the Company employs when setting new meters elsewhere on its system?

A. No. Dominion Energy only sets new meters after the customer location has been inspected by the local municipality. This process has been in place for more than 15 years.

Q. Are there safety issues related to propane tanks remaining on a customer's property?

A. Yes. A customer may have propane remaining in their propane tank when the Company commences service to that customer, and they will need to coordinate with their propane supplier to evacuate their tank as soon as possible. Dominion Energy does not have the equipment or experience necessary to evacuate the remaining propane.

Q. What will happen to the empty propane tanks?

A. Mayor Castleton estimates that 80-90 percent of the tanks are leased from the propane provider. For those customers that lease, it is my understanding that the propane provider will be responsible for removing the propane tank. If a customer owns their tank, the customer will be responsible for selling the propane tank or otherwise having it removed.

Q. Is there a code that gives guidance on storing an empty propane tank on the customer's property?

A. Though the Company does not provide or service propane tanks, it conducted some research and found International Fire Code 2018, Section 6110.2, which refers to propane tanks that are permanently out of service. This code states that, "LP-gas containers to be placed permanently out of service shall be removed from the site." The customers must be responsible to address issues related to their contracts with propane suppliers, and to dispose of their own personally-owned propane tanks. Mayor Castleton has suggested that the City could help remove and store the tanks in a secure area until final sale or disposal could occur.

Q. How will the Company convey this safety information to the potential customers in Eureka?

A. The Company will put the information in an insert that will be mailed with the customer's water bill. A copy of some of the FAQs that could be placed in the bill insert is attached as DEU Exhibit 1.14S.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Austin C. Summers, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

Austin C. Summers

SUBSCRIBED AND SWORN TO this 15th day of April, 2020.

Notary Public

RENA PORTER
Notary Public - State of Utah
Comm. No. 704986
My Commission Expires on
Apr 25, 2023